PENGROWTH
ENERGY TRUST

2002 Annual Report

| THE BENCHMARK OF ENERGY TRUSTS |

Corporate Profile

PENGROWTH ENERGY TRUST IS ONE OF NORTH AMERICA'S LARGEST ENERGY TRUSTS, WITH A MARKET CAPITALIZATION OF $1.6 BILLION AT DECEMBER 31, 2002 AND AN ENTERPRISE VALUE OF APPROXIMATELY $2.0 BILLION.

PENGROWTH PAYS MONTHLY DISTRIBUTIONS TO UNITHOLDERS BASED ON THE NET CASH FLOW (AFTER FEES AND EXPENSES) GENERATED FROM A PORTFOLIO OF HIGH QUALITY CRUDE OIL AND NATURAL GAS PROPERTIES IN THE WESTERN CANADIAN SEDIMENTARY BASIN AND OFF THE EAST COAST OF CANADA.

UNITS OF PENGROWTH ENERGY TRUST TRADE ON THE TORONTO STOCK EXCHANGE UNDER THE SYMBOL PGF.UN AND ON THE NEW YORK STOCK EXCHANGE UNDER THE SYMBOL PGH.

Contents

Annual General Meeting

The annual meeting of the unitholders of Pengrowth Energy Trust will be held on Tuesday, May 27, 2003 at 3:00 p.m. MST, in the Crystal Ballroom, Fairmount Palliser Hotel, 133 - 9th Avenue S.W., Calgary, Alberta. Unitholders who are unable to attend are urged to complete, sign and mail their proxies to ensure their units will be voted at the meeting.

Note: All figures in this annual report are in Canadian dollars, unless otherwise indicated.

14 YEARS of Superior Returns

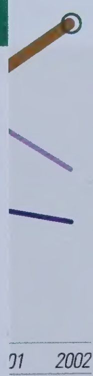
From well managed, high quality crude oil and natural gas assets.

ATTENTION UNITHOLDERS

The date of Pengrowth Energy Trust's ANNUAL GENERAL MEETING has been changed to:

MONDAY, JUNE 9, 2003 AT 3:00 P.M. MST
IN THE CRYSTAL BALLROOM, FAIRMONT PALLISER HOTEL,
133 – 9TH AVENUE S.W., CALGARY, ALBERTA

Unitholders who are unable to attend are urged to complete, sign and mail their proxies to ensure their units will be voted at the meeting.



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ANNUAL GENERAL MEETING

The annual meeting of the unitholders

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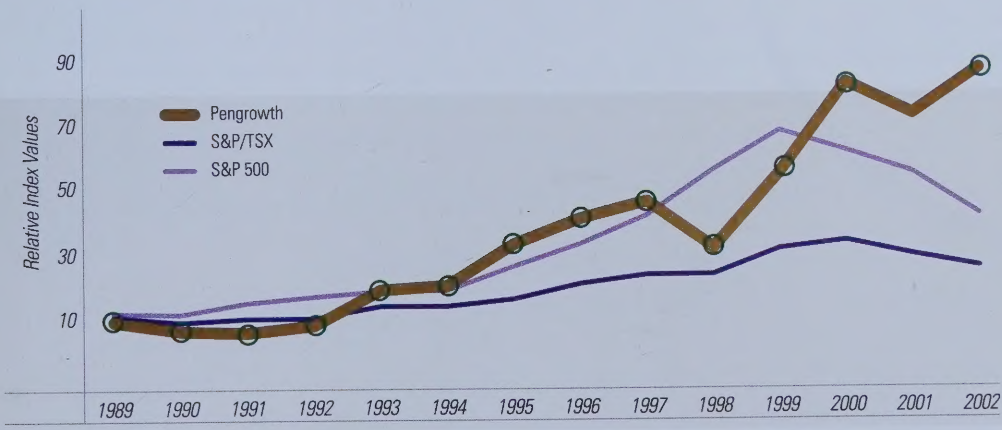


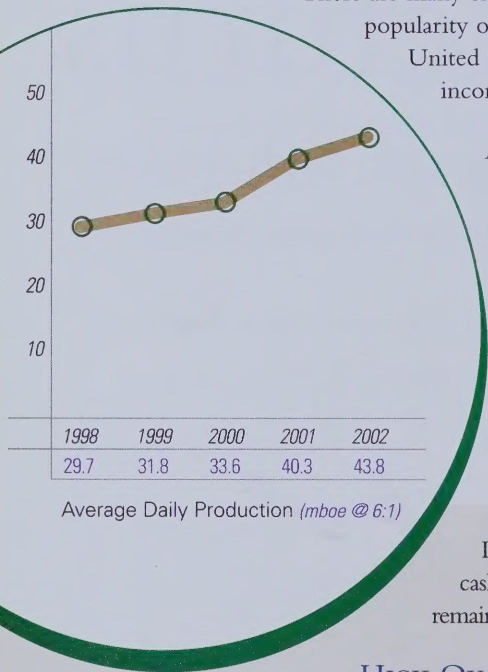
Relative Total Return Performance

Source: Bloomberg.
Total return assumes reinvestment of distributions

Since inception in 1988, Pengrowth has provided its unitholders with total returns generally exceeding that of the TSX 300 and the S&P 500. This superior performance is due to the effective management of a diverse portfolio of high quality natural gas and crude oil properties.

We're About PERFORMANCE

There are many characteristics which define a high quality royalty trust. With the popularity of the income fund structure in Canada and a growing interest in the United States, investors enjoy a choice between many royalty trust and income fund investments.



Average Daily Production *(mboe @ 6:1)*

Pengrowth is about performance. Every aspect of our business is managed to ensure that we maximize value to our unitholders. The following are just some of the reasons why an investor should consider Pengrowth for their portfolio.

14 Years of Superior Performance

Pengrowth completed its Canadian initial public offering in 1988 and since that time has grown into a trust with a market capitalization of $1.6 billion and an enterprise value of approximately $2.0 billion. Pengrowth is now one of North America's largest oil and gas royalty trusts and is listed on the TSX and the NYSE. Since inception, Pengrowth has outperformed the S&P/TSX Oil and Gas Producers' Index by over 300 percent and has provided an average annual cash-on-cash yield exceeding 14 percent. As prices of oil and natural gas continue to remain high, Pengrowth is well positioned for continued superior performance.

High Quality and Diversified Asset Base

Pengrowth owns a diversified portfolio of approximately 70 high quality oil and natural gas properties. Pengrowth's core operated and non-operated properties are located across Canada in the provinces of British Columbia, Alberta, Saskatchewan and offshore Nova Scotia. This makes Pengrowth the most geographically diversified energy trust in the Canadian royalty trust sector. The portfolio of properties held by Pengrowth are primarily long life, oil and natural gas properties with established production profiles. These assets provide relatively steady production with manageable capital investment requirements.

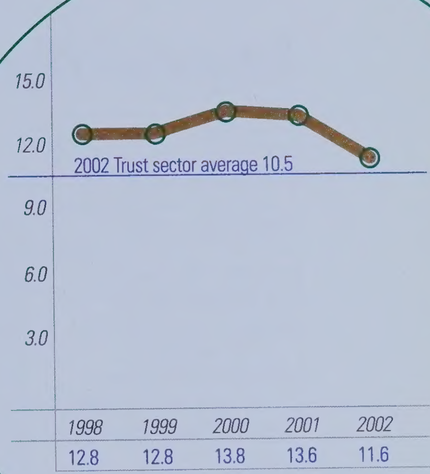
Through high quality and well timed acquisitions, Pengrowth's properties generate a reserve life index of 11.6 years on an Established basis compared to an average of 10.5 years in the Canadian royalty trust sector. A long reserve life ensures that Pengrowth unitholders will continue to receive distributions for many years.

Experienced and Proven Management Team

Formed in 1988, Pengrowth is one of the longest operating oil and gas royalty trusts in Canada. Over our 14 year history, Pengrowth's management team has demonstrated the ability to provide superior performance for the benefit of our unitholders. Our management team has compiled a distinguished

record of growth and return while maintaining one of the most efficient cost structures in the royalty trust sector. Pengrowth has one of the lowest combined general and administrative expenses and management fees per barrel of oil equivalent production among its peers.

The nine members of Pengrowth's senior management team have an average of more than 19 years' experience each in the oil and gas industry. As we grow, Pengrowth will continue to attract the best and most qualified people available. We encourage all of Pengrowth's team members to own units in the Trust. Our employees, management and directors own approximately 3.5 percent of the outstanding Pengrowth Energy Trust units, aligning our interests with the unitholders.



Reserve Life Index *(years)*

Prudent Capital Structure

A key measure of quality for an oil and gas royalty trust is a strong balance sheet. At Pengrowth we have actively managed our capital structure to ensure that we maintain sufficient credit capacity to make accretive acquisitions. At December 31, 2002 Pengrowth's long-term debt was $317 million, representing 23 percent of our total book capitalization and 1.6 times 12 month trailing distributable income. This is Pengrowth's most favourable debt position in the last five years, positioning us well for future growth. Pengrowth has one of the most conservative capital structures within its peer group.

Access to North American Capital Markets

Pengrowth successfully listed on the New York Stock Exchange on April 10, 2002, which has provided superior access to the large U.S. capital markets. Our listing has increased the volume of trading on both the TSX and the NYSE. Average trading volumes on the TSX and NYSE exceed 230,000 and 79,000 units per day respectively, reflecting significant liquidity in Pengrowth Energy Trust units.

In November 2002, Pengrowth completed the first cross-border trust unit offering within the Canadian royalty trust sector. Pengrowth successfully raised gross proceeds of $281.2 million, of which approximately 43 percent or $120 million was sold into the U.S. market. Pengrowth will continue to utilize the exposure gained through the NYSE listing to increase our access to international capital markets.

Established Reserves *(mmboe @ 6:1)*

Financial Highlights

(thousands, except per unit amounts)

Year ended December 31	2002	2001	% Change
INCOME STATEMENT			
Oil and gas sales	$ 482,301	$ 469,929	3
Net income	$ 49,067	$ 85,150	(42)
Per unit	$ 0.546	$ 1.201	(55)
Distributable income	$ 194,458	$ 215,787	(10)
Actual distributions paid or declared per unit	$ 2.07	$ 3.01	(31)
Weighted average number of units outstanding	89,923	70,911	27
UNITS OUTSTANDING AT YEAR-END	110,562	82,240	34
BALANCE SHEET			
Working capital	$ (36,568)	$ (19,746)	85
Property, plant and equipment and other assets	$ 1,444,668	$ 1,208,526	20
Long-term debt	$ 316,501	$ 345,456	(8)
Unitholders' equity	$ 1,053,939	$ 817,203	29
Debt plus equity, at book	$ 1,370,440	$ 1,162,659	18
EQUITY CAPITALIZATION, AT MARKET	$ 1,628,583	$ 1,169,454	39
ENTERPRISE VALUE *	$ 1,945,084	$ 1,514,910	28
NET ASSET VALUE @ 12%	$ 1,113,550	$ 799,327	39
NET ASSET VALUE PER UNIT	$ 10.08	$ 9.72	4
TRUST UNIT TRADING (TSX)			
High	$ 17.00	$ 21.95	(23)
Low	$ 13.01	$ 12.80	2
Close	$ 14.73	$ 14.22	4
Value	$ 753,684	$ 734,382	3
Volume (thousands of units)	51,110	41,249	24
Year-end closing price as a multiple of net asset value at 12%	1.5x	1.5x	0
TRUST UNIT TRADING (NYSE) – LISTED ON APRIL 10, 2002			
High	US $ 10.90	–	
Low	US $ 8.40	–	
Close	US $ 9.27	–	
Value	US $89,680	–	
Volume (thousands of units)	9,672	–	
LONG-TERM DEBT AS A RATIO OF:			
Current year's distributable income	1.6x	1.6x	
Total capitalization:			
Debt plus equity at book value	23.1%	29.7%	
Debt plus equity at market value	16.3%	22.8%	

* Enterprise value equals market value of equity plus long-term debt.

Operating Highlights

Year ended December 31	2002	2001	% Change
Average Daily Production			
Crude oil (barrels)	19,914	19,726	1
Natural gas (thousands of cubic feet)	111,713	91,764	22
Natural gas liquids (barrels)	5,252	5,258	0
Total production (boe)	43,785	40,320	9
Total Annual Production (mboe)	15,982	14,717	9
Production per trust unit (boe/unit)	0.18	0.20	(10)
Production Profile			
Crude oil	45%	49%	
Natural gas	43%	38%	
Natural gas liquids	12%	13%	
Average Prices			
Crude oil (per barrel)	$ 38.06	$ 37.26	2
Natural gas (per mcf)	$ 3.85	$ 4.48	(14)
Natural gas liquids (per barrel)	$ 28.11	$ 30.68	(8)
Average price per boe	$ 30.18	$ 31.93	(5)
Established Reserves			
Crude oil (mbbls)	106,738	105,184	1
Natural gas (bcf)	502.3	476.2	5
Natural gas liquids (mbbls)	24,354	25,964	(6)
Total oil equivalent (mboe)	214,814	210,522	2
Established reserves per unit (boe/unit)	1.94	2.56	(24)
Operating Costs			
Millions	$ 129.8	$ 104.9	24
Per boe	$ 8.12	$ 7.13	14
General and Administrative Costs			
Millions	$ 11.0	$ 7.5	47
Per boe	$ 0.69	$ 0.51	35
Management Fees			
Millions	$ 6.6	$ 7.1	(7)
Per boe	$ 0.41	$ 0.48	(15)
Acquisition Costs*			
Millions	$ 389.3	$ 277.1	40
Mmboe acquired	37.7	48.4	(22)
Per boe	$ 10.33	$ 5.72	81

* Before acquisition fees.
Natural gas has been converted to equivalent barrels of oil at 6:1 unless otherwise stated.

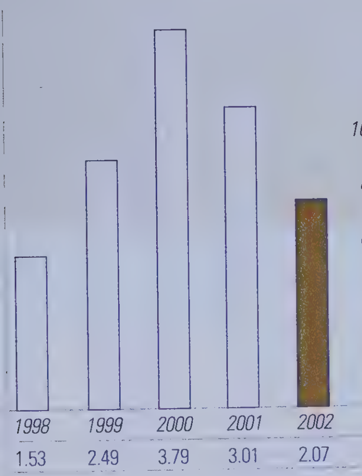
Pengrowth's Senior Management Team

Left to right:
Robert B. Hodgins, Chief Financial Officer
Lianne Bigham, Controller
Gordon M. Anderson, Vice President
Charles V. Selby, Corporate Secretary
James S. Kinnear, Chairman, President & C.E.O.
Chris Webster, Treasurer
Lynn Kis, Vice President, Engineering
Jim MacDonald, General Manager, East Coast Operations
Henry D. McKinnon, Vice President, Operations

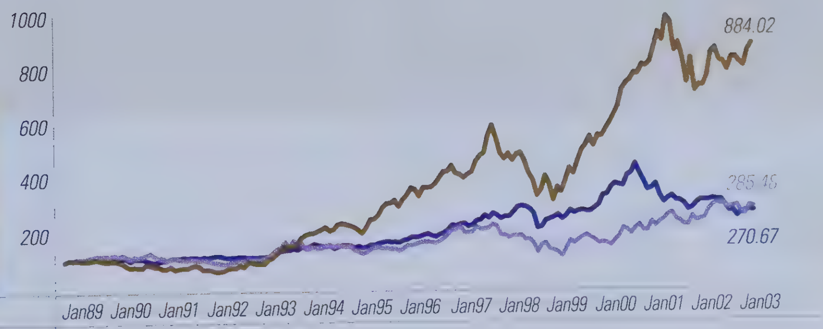
President's Message to Unitholders

PENGROWTH ENERGY TRUST POSTED MIXED RESULTS IN 2002 AS LOWER COMMODITY PRICES YEAR OVER YEAR RESULTED IN REDUCED DISTRIBUTIONS. DESPITE THIS, THE MARKET PRESENTED OPPORTUNITIES FOR HIGH QUALITY ACQUISITIONS WHICH HELPED TO EXPAND PRODUCTION, RESERVES AND GEOGRAPHICAL DIVERSIFICATION.

Cash flow from operations increased from $207.8 million in 2001 to $228.7 million in 2002, an increase of 10 percent. Actual distributions to unitholders during the calendar year declined from $241.6 million in 2001 to $171.4 million in 2002, reflecting a 75 percent payout of cash flow in 2002. Distributable income in 2002 declined by approximately 10 percent to $194.5 million from $215.8 million in 2001. More important for unitholders, distributable income per trust unit declined 31 percent to $2.07 from $3.01



Distributable Income *($ per trust unit)*



Relative Performance of a $100 Investment

in 2001. Despite this decline, the Trust's overall performance in 2002 exceeded the market averages by a wide margin, achieving a total return of 19 percent, based on yield plus capital appreciation and assuming reinvestment of distributions. This compared with minus 12 percent for the TSX Composite Index and plus 12 percent for the TSX Oil and Gas Producers' Index.

How did Pengrowth fare in 2002?

Frankly, 2002 was an average year for performance of the trust units. The decline in distributable income per trust unit in 2002 was the result of lower average commodity prices and two equity offerings during the year. The distributable income of $194.5 million in 2002 followed record distributable income of $218.3 million in 2000 and $215.8 million in 2001. The first equity issue closed in June 2002 and raised gross proceeds of $123.2 million through the issue of 8.0 million trust units at $15.40 per trust unit. This bought-deal offering was well received by the market and included a full 15 percent over-allotment or "green shoe" provision. The issue combined with non-core asset sales significantly improved Pengrowth's overall financial strength, reducing the debt/total capitalization ratio significantly from 28 percent at the end of the first quarter to 20 percent at the end of the second quarter.

Significant acquisitions

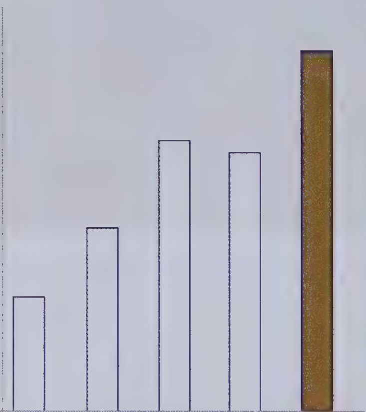
The Trust's strengthened financial position during 2002 allowed Pengrowth Corporation to successfully negotiate and close the acquisition of producing crude oil and natural gas properties in northeastern British Columbia from Calpine Canada Natural Gas Partnership for total net consideration of $352 million, after closing adjustments. This purchase, which closed on October 1, 2002 added 34 million barrels of oil equivalent of Established reserves to Pengrowth's asset base, and approximately 12,000 barrels of oil equivalent to our year-end daily production volumes.

In conjunction with the Calpine acquisition, Pengrowth successfully conducted a second equity offering which closed in November 2002, issuing 20.1 million new trust units at Cdn$14.00 or

1998	1999	2000	2001	2002
1.2	81.2	186.8	324.6	404.9
6	141.8	179.6	317.7	395.8

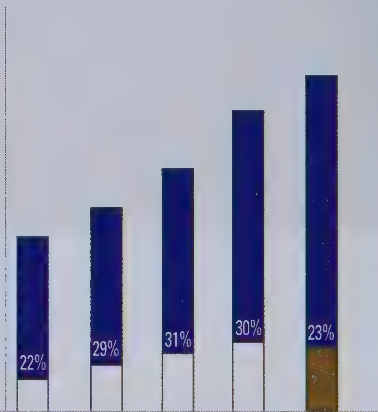
New Equity Raised vs. Acquisitions *($ millions)*

New Equity Raised (gross) — Acquisitions (gross)



1998	1999	2000	2001	2002
521	831	1,226	1,169	1,629

Equity Market Capitalization at Year-end *($ millions)*



1998	1999	2000	2001	2002
718.2	788.9	928.8	1,162.7	1,370.4
157.7	230.3	286.8	345.5	316.5

Total Capitalization with Percentage of Debt *($ millions)*

Total Capitalization Including Unitholders' Equity at Book Value — Long-term Debt

U.S.$8.93 per trust unit for gross proceeds of $281.2 million. This was the first cross-border financing for a Canadian royalty trust and was very well received by Canadian and U.S. investors. The 15 percent over-allotment option was exercised by the underwriters, and approximately 43 percent of the issue was purchased by U.S. investors. The U.S. issue was facilitated in part by Pengrowth's listing on the New York Stock Exchange, which occurred on April 10th, 2002.

Energy sector leader in new equity

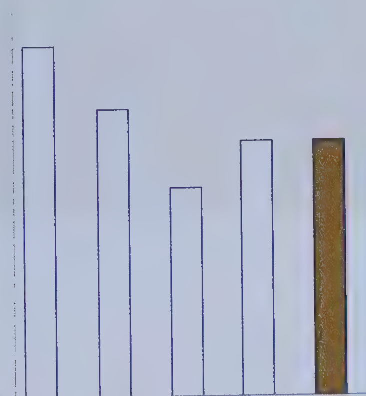
During 2002, Pengrowth raised total gross proceeds of $404 million of new equity, issuing 28.1 million trust units at a weighted average price of $14.38 per trust unit. This represented the third straight year that Pengrowth has raised the largest amount of new equity in the Canadian oil and gas trust sector. Our future growth depends on our ability to access new equity and debt capital.

At year-end, Pengrowth's financial position was solid, with debt amounting to 23 percent of total capitalization at book, and 16 percent assuming market value of the Trust's outstanding trust units.

In addition to the two public offerings, Pengrowth also disposed of five non-core properties, for proceeds of $43.1 million, effectively rationalizing our holdings while also reducing debt and improving the balance sheet.

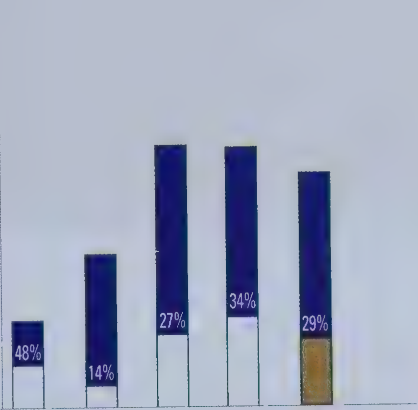
Trust Unit Performance

While the Trust's balance sheet at year-end was arguably stronger than at any point in the past five years, our unitholders faced some dilution. For example, total annual production increased from 14.7 million barrels of oil equivalent in 2001 to 16.0 million barrels of oil equivalent in 2002. However, there was a decline in both production and reserves per trust unit. Production per trust unit declined from 0.20 barrels of oil equivalent in 2001 to 0.18 barrels of oil equivalent in 2002 based on weighted average units outstanding. Similarly, total Established reserves increased from 210.5 million barrels of oil equivalent to 214.8 million barrels of oil equivalent on a year-over-year basis, but reserves per trust unit fell from 2.56 barrels of oil equivalent at the beginning of 2002 to 1.94 barrels of oil equivalent at year-end.



1998	1999	2000	2001	2002
2.2	1.8	1.3	1.6	1.6

Debt/Distributable Income



1998	1999	2000	2001	2002
72.1	128.2	218.3	215.8	194.5
34.9	17.7	59.8	74.0	55.6

Capital Expenditures as a Percent of Distributable Income *($ millions)*

Distributable Income · Capital Expenditures

The decline in reserves per trust unit reflected the two equity offerings during 2002 plus the year-end downward adjustment of reserves of the Sable Offshore Energy Project (SOEP) and a shorter reserve life associated with the Calpine assets, which reduced the Trust's reserve life index to 11.6 years at year-end 2002. Our reserve life index remains above the average of the Canadian royalty trust sector.

Sable Offshore Energy Project

Pengrowth acquired a 99.99 percent royalty interest in the natural gas reserves and production associated with the 8.4 percent working interest held by Emera Inc. in June 2001 for a net purchase price of $256 million. Our co-venturers in the project include ExxonMobil Canada, the operator, with 50.8 percent, Shell Canada with 31.3 percent, Imperial Oil with 9.0 percent and Mosbacher with 0.5 percent.

We regard SOEP as a long-term call on the natural gas markets, due to its long Established reserve life which at year-end 2002 was 12.1 years. However, we have experienced some short-term challenges in terms of operating costs, fluctuating production and natural gas prices.

Pengrowth is paying processing fees to the co-venturers and Emera that are higher than our original forecasts. The acquisition has been less accretive than anticipated due to lower natural gas prices in the second half of 2001. Natural gas prices declined from approximately $6.00 per mcf at the time of acquisition to lows in the range of $2.00 per mcf later in the year, contributing to lower cash flows from SOEP. During 2002, natural gas and oil prices recovered and SOEP generated a respectable level of cash flow to Pengrowth.

We have faced further operating challenges with this project. During the first quarter of 2003, increased water production was encountered in the Venture field. Successful recompletions of several wells were required to replace lost production. A well intended to evaluate upside potential from a new fault block in the Glenelg area – a field scheduled to be placed on production in the 2004-2005 timeframe – was abandoned.

On the positive side, a successful well was drilled at the South Venture field, but has not yet been tested. SOEP production has again achieved a rate in excess of 500 million cubic feet per day and natural gas prices are higher than US$5.00 per mmbtu, providing a high expected level of cash flow from the SOEP project in the near future.

B.C. Properties Acquisition

Pengrowth's new British Columbia assets were previously owned by a Canadian affiliate of Calpine Inc. and are located north of the Fort St. John area in the northern part of the province.

While the Calpine assets have a shorter reserve life index (RLI) than the average of Pengrowth's properties, they are characterized by good quality reservoirs that produce medium and light gravity crude oil and liquids-rich sweet natural gas. In addition, the properties feature relatively low operating costs which provide higher netbacks. At the time of acquisition, the Calpine properties were generating cash flow before capital expenditures of approximately $100 million on an annualized basis. To the end of February 2003, the fields have generated approximately $48 million of cash flow net to Pengrowth since the closing on October 1, 2002.

Production from our British Columbia properties has been lower than originally forecast by independent reserve engineers, Gilbert Laustsen Jung Associates Ltd. (GLJ), in their report dated July 2002. It is possible that the vendor reduced

On April 10, 2002 Pengrowth Energy Trust was listed on the New York Stock Exchange (NYSE).

capital expenditures and development on these properties prior to their sale, resulting in lower production at year-end 2002. During the second half of 2002, the British Columbia assets produced 12,900 barrels of oil equivalent per day, compared to an anticipated production rate of 15,785 barrels of oil equivalent per day during the second half of 2002.

We are not overly concerned with the higher production declines. The lower production rate has been more than offset by significantly higher crude oil and natural gas prices in the short-term and an increased hedging program to lock in crude oil and natural gas at prices higher than those used in the GLJ appraisal at the time of acquisition. We also anticipate that a significant capital expenditure and development program on these properties in 2003 will help stabilize the production decline. All issues considered, the British Columbia properties have been a positive addition to Pengrowth's portfolio.

Funding capital expenditures

Pengrowth faces higher capital expenditures in the near-term to develop the British Columbia properties and over the next three years to develop the Alma, Glenelg, and South Venture fields of the Sable Offshore Energy Project.

Our decision in 2002 to withhold approximately 10 percent of distributable income plays an important role in funding capital expenditures. This holdback at current oil and natural gas prices and production levels is significant and may be applied to debt reduction, to reduce volatility in monthly distributions, or to fund capital expenditures. The holdback took effect starting with the distributions paid on December 15, 2002.

Pengrowth enhanced its distribution reinvestment program effective January 2003. Proceeds from the enhanced program will also contribute to funding capital expenditures.

New York Stock Exchange Listing

On April 10, 2002 Pengrowth Energy Trust was listed on the New York Stock Exchange (NYSE) under the ticker symbol PGH. The rationale for the New York listing was to achieve broader exposure in the United States and world capital markets.

Since April, we have witnessed increased trading activity in our trust units, both in the United States and in Canada, which has improved the market liquidity for investors. The NYSE listing also enhanced the response to our November cross-border MJDS financing when approximately 43 percent of the issue was purchased by residents in the United States.

The NYSE listing forms part of our longer-term strategy to attract additional investment in the Trust by seeking new investors from North America and worldwide. It is essential that we continue to enhance our access to capital markets and to maintain a relatively low cost of capital as Pengrowth continues to grow.

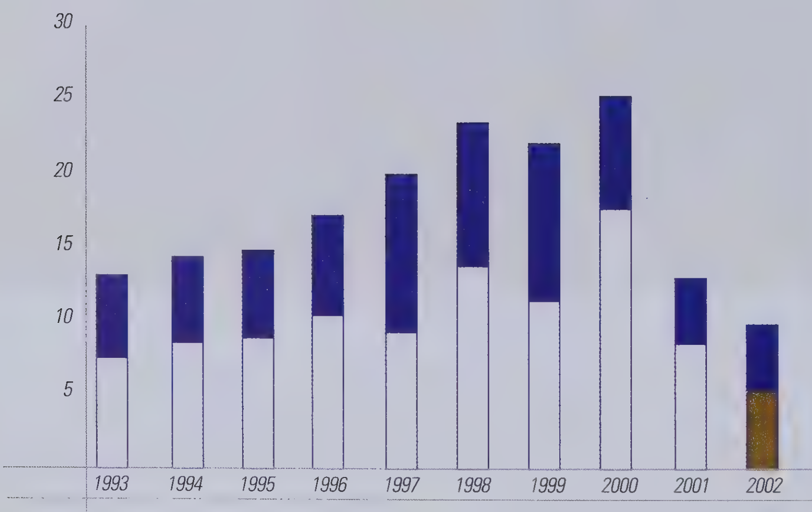
While it is becoming increasingly difficult to enhance value on behalf of Pengrowth Energy Trust unitholders, we intend to work hard to add value through a combination of acquisitions, internal development of our properties and by farming-out the higher risk exploration potential on our lands.

Outlook

Conventional oil and gas reserves deplete over time. In order for Pengrowth to continue to grow, we must make acquisitions that more than replace the reserves we produce each year. Over the past five years, Pengrowth has acquired reserves that average more than twice annual production, resulting in net increases in reserves. However, as discussed earlier, successive equity issues over the past two years have resulted in some dilution of reserves on a per trust unit basis.

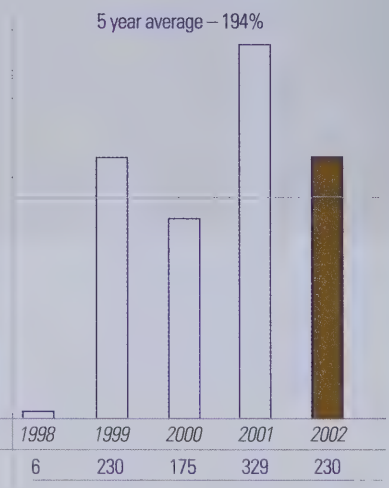
Energy sector development

It is interesting to note that despite the record level of cash flow generated by the oil and gas sector worldwide, exploration and development activity has been unable to replace depleting reserves and provide the required new supplies for economic growth. This would suggest that oil and gas prices may remain well above historical averages for the foreseeable future, to provide sufficient incentive for the industry to explore for and develop new reserves.



World Oil and Gas Discoveries *(billion boe)*

Data supplied by Wood MacKenzie Limited.



Annual Reserve Replacement Through Acquisitions *(%)*

Although international exploration and development has led to the discovery of major fields over the last two to three decades, they are all reaching maturity. Significant discoveries are becoming much harder to find and the last two years have been disappointing as the accompanying graph indicates. This scenario applies equally to the shrinking inventory of discovered but undeveloped reserves.

There is considerable pressure on management within the energy sector to find new oil and natural gas reserves. For Pengrowth, the answer may lie in accessing assets that have a shorter reserve life but offer higher development upside. Pengrowth will develop these assets cost effectively in order to maximize netbacks. We are already seeing several of the largest international companies change focus to bottom line profitability rather than production growth.

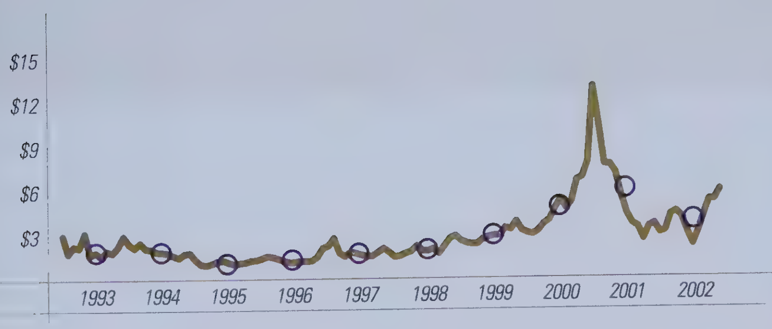
To offset the challenge of acquiring new oil and natural gas reserves, Pengrowth will also seek investment opportunities in areas related to our business. This may include processing facilities, pipelines and gas plants that can provide steady income, moderate the volatility of our returns, and provide growing distributions per trust unit for Pengrowth unitholders.

Management Agreement

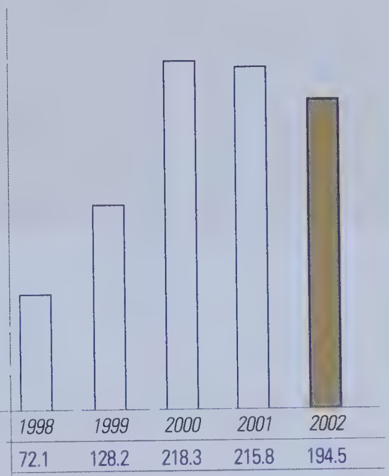
The existing management agreement must be considered by the unitholders every three years. The next review will occur at the upcoming annual general meeting.

Most royalty trusts have now internalized their management contracts. What this generally means is that the manager has sold the management contract back to the fund for a combination of cash and trust units.

A special committee of the Board of Directors of Pengrowth Corporation has been formed to examine alternatives which address the interests of unitholders and recognize entitlements under the existing management agreement.



Natural Gas Price *(AECO CDN$/GJ)*



Distributable Income *($ millions)*

The energy trust business requires appropriate incentives and entrepreneurial spirit to more than replace reserves and continue to grow and add value for unitholders. Pengrowth is an entrepreneurial organization fostered in part by our structure and flexibility to attract people who perform at a high level in the environment. Pengrowth has initiated a number of firsts in the energy trust business, including:

1991 – First to conclude a rights offering ($3.8 million);
1992 – First to offer monthly distributions;
1992 – First to offer trust unit options to team members and Board of Directors;
1993 – First to offer a Distribution Reinvestment Plan;
1994 – First bought deal – $44 million – in the trust sector;
1994 – First to offer optional distributions in U.S. funds;
1996 – First to provide Direct Deposit service for unitholders' distributions;
1997 – First to offer Entitlements for Equity Participation allowing existing unitholders to participate in equity issues on a preferred basis;
2001 – First to invest in the Nova Scotia offshore;
2002 – First Canadian royalty trust to operate in north-eastern British Columbia;
2002 – First royalty trust to offer units through MJDS cross-border financing in both Canadian and United States' markets.

Pengrowth Management has delivered returns for unitholders of Energy Trust – over long periods of time – that includes 16 percent per year compound return since inception of the trust over 14 years ago. Pengrowth has achieved a significant milestone having distributed over $1 billion in cash to unitholders from inception to March 15, 2003. During 2002, Pengrowth had the lowest combined general and administrative and management fee structure in the royalty trust sector. Pengrowth Management believes that the independent management structure, as it has been applied to Pengrowth, has stood the test of time. The structure has been consistently fair, has provided above-average returns, and remains in the best long-term interest of the unitholders.

Pengrowth Trust Unit Price vs. WTI Oil Price

Incentive-based Compensation

A challenge for any enterprise is attracting, incentivizing and retaining key people within the organization. At Pengrowth, we have implemented significant incentives over the years that have provided potential remuneration well in excess of normal base salaries. Programs such as annual performance bonuses; trust unit options; a trust unit purchase plan in which Pengrowth matches team member contributions up to 10 percent of salary; a long-term trust unit incentive plan; and a trust unit margin purchase plan, have all been introduced to provide significant individual and overall group incentives, and to encourage ownership by Pengrowth team members in the business. Some 2.7 million trust units or approximately 2.5 percent of the total outstanding units are presently held within these incentive plans, ensuring that the interests of Pengrowth team members are aligned with those of the unitholders.

Acknowledgements

We are particularly fortunate that Michael Grandin joined the Board of Directors of Pengrowth Corporation at last year's annual general meeting. Michael has held many senior corporate and board positions. He is a former Senior Vice President and Director of Midland Walwyn Capital Inc., a former Chief Financial Officer of the Canadian Pacific Group and a former President of PanCanadian Petroleum, a major Canadian independent oil and gas producer that is now part of EnCana Corporation. His involvement with Pengrowth extends to the inception of the fund when Michael was a senior partner with one of the lead underwriters of Pengrowth's initial public offering in December 1988 which raised $12.5 million in equity at $10.00 per trust unit.

It is also a pleasure to welcome Robert B. Hodgins to the Pengrowth team as Chief Financial Officer effective August 2002. Bob was the former Chief Financial Officer at TransCanada PipeLines and Vice President and Treasurer of Canadian Pacific Limited in Calgary. Bob brings a wealth of experience to his new position at Pengrowth and has already made significant contributions on behalf of the Trust.

We also welcome Jim MacDonald, General Manager, East Coast Operations, who is managing our interests in SOEP. Jim has considerable prior experience with SOEP and is a member of Pengrowth's leadership team.

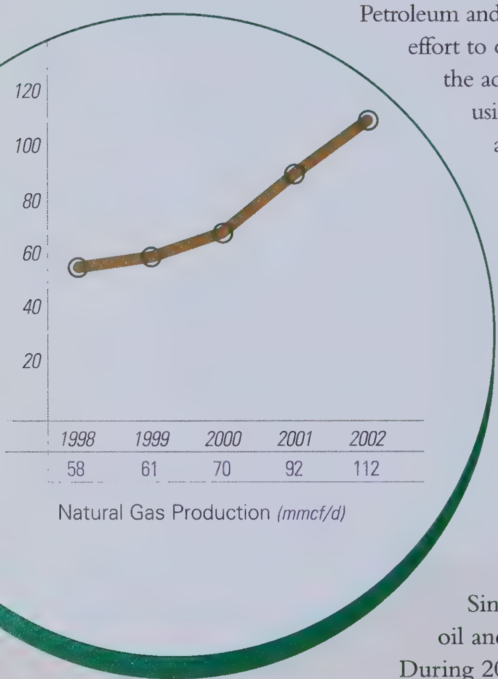
A hearty vote of thanks to all the hardworking and dedicated Pengrowth team members for their invaluable contribution to our endeavours in 2002, and to the Board of Directors of Pengrowth Corporation for their wise counsel and guidance over the years.

Sincerely,

James S. Kinnear
Chairman, President and Chief Executive Officer

March 20, 2003

Operations Review



Natural Gas Production *(mmcf/d)*

Petroleum and natural gas reservoirs naturally deplete as they are produced. In an effort to offset this natural decline, Pengrowth replenishes its reserve base through the acquisition of new reserves and the development of existing properties using the best available technology. Pengrowth does not explore for oil and natural gas.

Pengrowth's properties are characterized by high working interests, stable production and long-life reserves. Pengrowth has varying working interests in 70 properties and operates approximately 58 percent of its average daily oil and gas production, which reached a record 43,785 boe per day in 2002. The Trust has approximately 215 million boe of quality Established reserves comprised of 39 percent natural gas, 50 percent crude oil and 11 percent natural gas liquids. At the current rate of production, Pengrowth's reserves generate a reserve life index (RLI) of 11.6 years, which is one of the longest in the Canadian oil and gas industry.

High Return Acquisitions

Since inception in 1988, Pengrowth has purchased over $1.8 billion of oil and natural gas interests in Canada through 50 separate transactions. During 2002 alone, Pengrowth completed $392 million of oil and natural gas acquisitions, replacing its annual production by over two times.

The Trust acquired 37.7 million boe of new Established reserves in 2002 at an average cost of $10.33 per boe resulting in overall finding and development costs of $11.53 per boe.

Pengrowth will continue to pursue an active acquisition program to acquire properties which demonstrate stable long-life production and potential for additional development, or farm-out to industry partners.

Effective Development and Optimization

Approximately 80 percent of our total gross production in 2002 was derived from 14 core areas located in British Columbia, Alberta, Saskatchewan and offshore the Province of Nova Scotia. During 2002, Pengrowth spent $55.6 million on development and optimization activities. Development drilling accounted for $48.2 million of total expenditures, while $7.4 million was spent on facilities.

Pengrowth has an active development program planned for 2003 with more than $87 million committed to development opportunities on existing properties. The Trust's operations personnel are continually seeking further initiatives to enhance production, reduce costs and maximize returns from existing properties.

Pengrowth's ongoing business strategy is to build a diversified portfolio that consists primarily of oil and gas properties with:

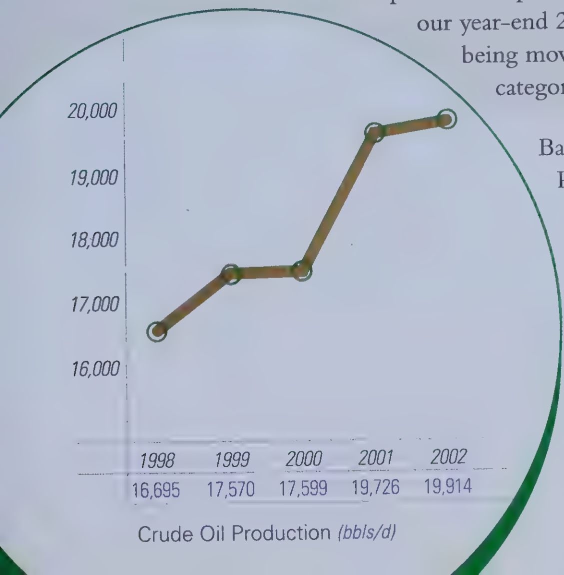
- Established production profiles;
- low operating costs;
- a favourable production history;
- long-life reserves;
- upside potential through infill drilling and other development activities; and
- the ability to increase distributions on a per-trust-unit basis.

Established Reserves *(mmboe)*

The majority of Pengrowth's reserves are in the Sable Offshore Energy Project (SOEP) and in miscible floods such as Judy Creek, Goose River, Swan Hills and Weyburn. Approximately 72 percent of Pengrowth's total proved reserves are classified by Gilbert Laustsen Jung Associates Ltd. (GLJ) as proved producing, while the remaining 28 percent are classified as proved non-producing reserves. SOEP accounts for 35 percent of Pengrowth's proved non-producing reserves, most of which are associated with the Tier II development, scheduled to begin production in late 2003, as discussed later in this report.

In 2002, SOEP and the miscible flood projects accounted for approximately 80 percent of Pengrowth's total capital expenditures of $55.6 million. It should be noted that most of the reserves associated with this proved non-producing category had already been included by GLJ in our year-end 2001 corporate reserve update and resulted in reserves being moved from the non-producing to proved producing category in the Judy Creek and Weyburn units.

Based on a December 31, 2002 report by GLJ, Pengrowth's Established reserves are approximately 215 million boe, consisting of 502 billion cubic feet of natural gas and 131 million barrels of crude oil and natural gas liquids.



Crude Oil Production *(bbls/d)*

Sydney
Fredericton
Saint John
SABLE OFFSHORE ENERGY PROJECT
Bangor
Portsmouth
Dracut
Boston
CANADA
UNITED STATES
B.C.
ALBERTA
SASKATCHEWAN
Fort St. John
Edmonton
Calgary
Vancouver
Regina
Pengrowth Property

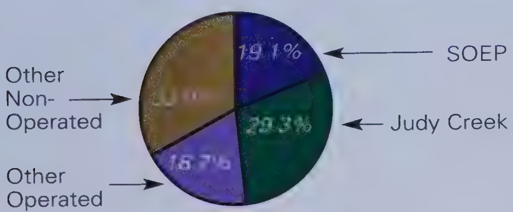
Pengrowth's Major Holdings

2002 Operations Summary

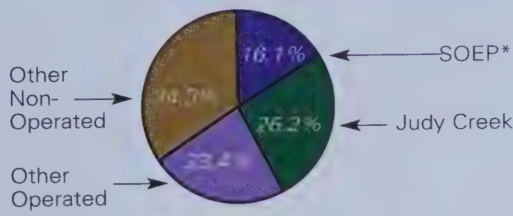
	Established Reserves (mboe)	Percent of Total Reserves	Reserve Life Index (years)	Value at 12% Discount ($ thousands)	Percent of Total Assets	2002 Oil Equivalent Production* (boe/d)	Percent of Total Production	2002 Capital Expenditures ($ millions)
Judy Creek BHL Unit	45,062	21.0	14	270,099	19.7	10,272	23.5	15.57
Judy Creek West BHL Unit	10,287	4.8	12	47,022	3.4	2,225	5.1	2.15
Weyburn Unit	14,516	6.8	19	46,410	3.4	2,059	4.7	2.22
Swan Hills Unit No.1	13,482	6.3	26	48,478	3.5	1,674	3.9	1.37
Dunvegan Gas Unit	6,746	3.1	17	33,467	2.4	1,008	2.3	0.36
Oak	6,039	2.8	13	43,678	3.2	363	0.8	0.07
Rigel	5,912	2.8	5	72,494	5.3	891	2.0	–
Monogram Gas Unit	5,716	2.7	11	53,184	3.9	1,579	3.6	0.13
Enchant	5,371	2.5	16	26,807	2.0	937	2.1	0.44
McLeod River	5,155	2.4	7	38,713	2.8	1,755	4.0	5.13
Squirrel	5,128	2.4	6	62,478	4.6	651	1.5	0.03
Kaybob Notikewin Unit No.1	3,573	1.7	12	27,526	2.0	922	2.1	0.20
Quirk Creek	3,491	1.6	10	32,624	2.4	711	1.6	0.10
Other British Columbia**	15,302	7.1	8	122,113	8.9	1,304	2.9	0.14
Other***	69,034	32.1	8	444,675	32.5	17,434	39.9	27.72
Total	214,814	100.0	12	1,369,768	100.0	43,785	100.0	55.63

Crude oil properties designated in green.
Natural gas properties designated in black.
* Natural gas has been converted to equivalent barrels of oil at 6:1.
** "Other British Columbia" includes the British Columbia assets recently acquired from Calpine, effective October 1, 2002.
*** "Other" includes Pengrowth's royalty interest in Emera's 8.4 percent working interest in the Sable Offshore Energy Project and 28 other properties. In accordance with the confidentiality agreement between Pengrowth, Emera and the other SOEP owners, Pengrowth is unable to present certain information with respect to SOEP except on a consolidated basis.

2002 Production by Property



2002 Reserves by Property



* Pengrowth's estimate of SOEP Established reserves.

Northeastern British Columbia – Pengrowth's Newest Core Area

Major Properties

Rigel

- 4 producing oil pools with 39 oil wells, 19 injection wells, a central battery and a solution gas compressor.
- 2.8 percent of the Trust's reserves. Current working interest production averages about 3,344 barrels per day of crude oil and natural gas liquids, and 1.1 million cubic feet per day of natural gas.

2002: Two oil wells and four injection wells, enhanced pool delineation and improved waterflood response in Cecil Formation.

2003: Four wells are planned.

Squirrel

- 12 producing wells, four water injection wells, one gas injection well, a central battery and a compressor station.
- 2.4 percent of the Trust's reserves. Working interest production approximately 2,296 barrels per day of crude oil and natural gas liquids, and 1.7 million cubic feet per day of natural gas.

2002/2003: Re-injection of solution gas to increase the reservoir pressure and production levels. Continue optimizing the existing pumping equipment to improve oil production.

Pengrowth Land

Oak

- 29 operated oil and gas wells, six injection wells and seven water source wells surrounding two batteries and three compressors.
- 2.8 percent of the Trust's Established reserves. Current working interest production is approximately 993 barrels per day of crude oil and natural gas liquids, and 2.7 million cubic feet per day of natural gas.

2003: One new well and several producer-to-injector conversions in waterflood project.

Pengrowth plans to inject water and solution gas into the Cecil Formation to build pressure in the pool.

The British Columbia Properties

In July 2002 Pengrowth acquired 392,400 net acres of producing and undeveloped crude oil and natural gas properties in the Fort St. John area for a gross purchase price of $387.5 million. Subsequently, Pengrowth sold interests in seven of the new producing properties for $25.4 million, making its net investment $352 million after closing adjustments.

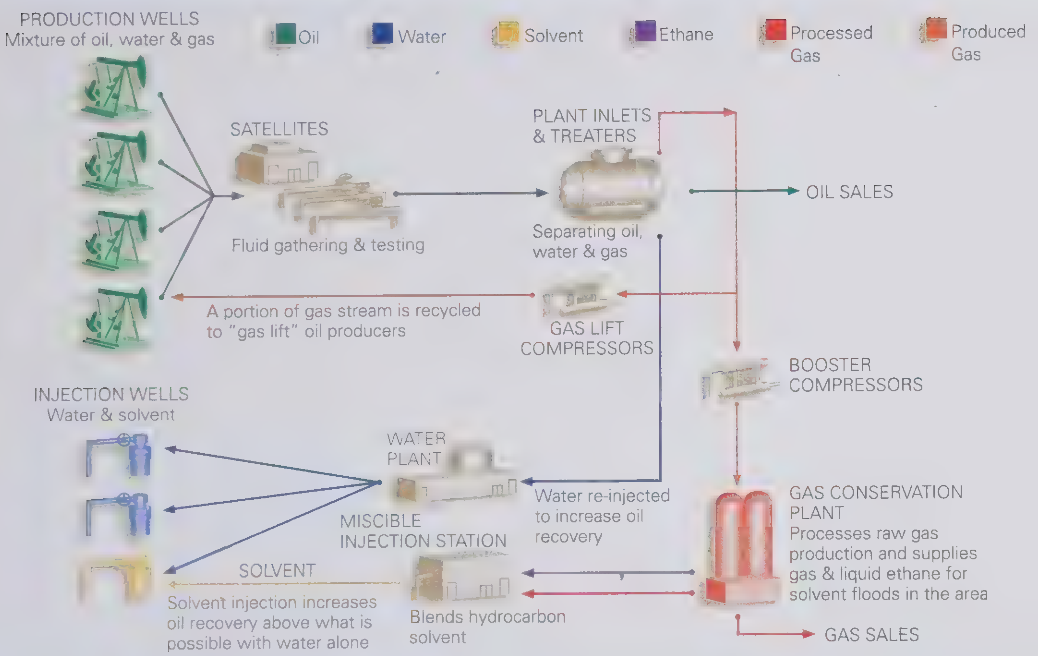
The relatively high production rates and lower unit operating costs of the new properties add balance to Pengrowth's western Canadian portfolio by increasing short-term cash flow. During the fourth quarter of 2002, production from the northeastern British Columbia properties was 12,730 boe per day, consisting of 29.0 million cubic feet per day of natural gas and 7,896 barrels per day of light crude oil and natural gas liquids.

The acquisition added Established reserves of 34.4 million boe, including 16.6 million barrels of crude oil, 1.6 million barrels of natural gas liquids and 97 billion cubic feet of natural gas, based on an evaluation conducted by Gilbert Laustsen Jung Associates Ltd. (GLJ). The average cost of the Established reserves addition was $10.23 per boe. The properties have an Established reserve life index of approximately seven years.

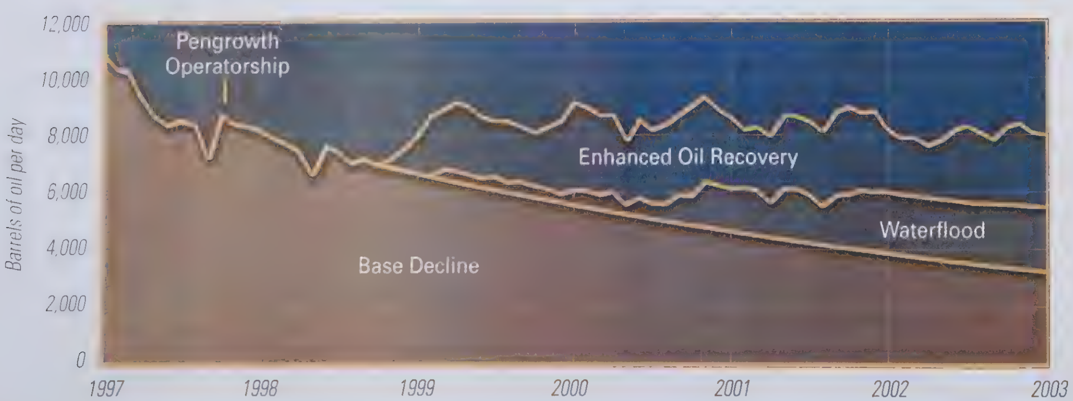
A key factor in Pengrowth's decision to acquire the British Columbia properties was their crude oil production efficiency, particularly from the Rigel, Squirrel and Oak properties. For 2003, Pengrowth projects that base operating costs of the British Columbia properties will be $4.98 per boe, an amount that further enhances the attractiveness of this investment.

The purchase included 247,700 net undeveloped acres with farm-out potential. On October 4, 2002 Pengrowth farmed out 30,500 acres to Progress Energy Ltd., which has committed to $10 million in exploration expenditures by April, 2004. The farm-out provides Pengrowth with upside exposure to high-impact prospects without the associated exploration risk.

Judy Creek Process Overview

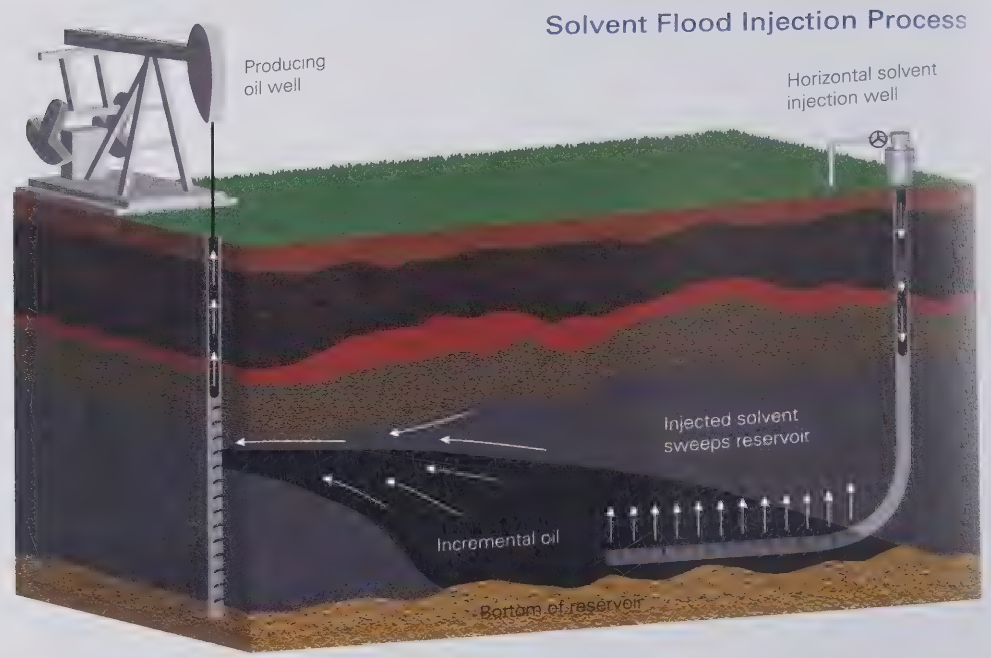


Judy Creek 'A' Pool – Oil Response to Development



Background

The Judy Creek field was discovered in 1959. Until 1962, operators relied on the natural pressure of the reservoir to push oil to the surface.



In 1962, a secondary recovery process called waterflooding was initiated to increase the amount of oil recovered.

Waterflooding involves pumping water into the oil-bearing formation through dedicated injection wells. By replacing the volume of the produced oil, the injected water maintains the reservoir pressure and displaces additional oil to the production wells.

Miscible flooding is a tertiary, or "enhanced oil recovery" (EOR) process that increases recoverable oil by injecting a hydrocarbon mixture known as solvent into the reservoir. A combination of water and hydrocarbon solvent is a more effec[illegible] method of recovering oil from suitable reservoirs than waterflooding alone.

Managing Development of the Asset

Pengrowth acquired the Judy Creek property in October 1997. This property represents 26.2 percent of our total Established reserves. Since 1997, Pengrowth has pursued new development in four key areas:

Horizontal Injectors in Mature Areas

Portions of the Judy Creek field have undergone miscible flooding using conventional vertical injection wells. In areas that contain the highest quality reservoir, the hydrocarbon solvent will not effectively sweep the reservoir from vertical wells.

Judy Creek, Alberta

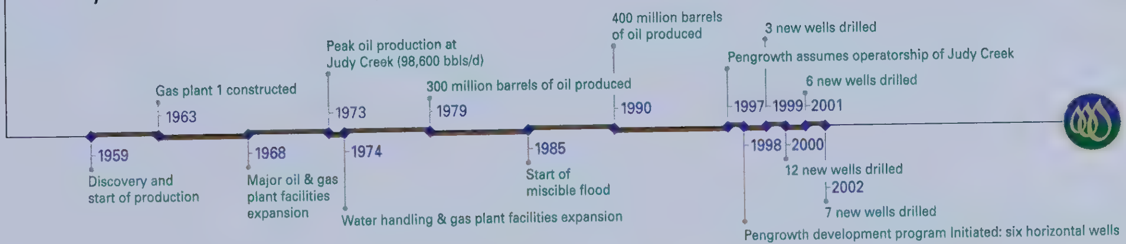
THE JEWEL IN THE CROWN

Judy Creek is Pengrowth's flagship property. Located 160 kilometres northwest of Edmonton, Alberta, it covers an area of about 155 square kilometres and contributes approximately 29 percent of Pengrowth's 2002 total production on a boe basis. In 2002, sales volumes from Judy Creek averaged 11,915 barrels per day of crude oil and natural gas liquids and 5.4 million cubic feet per day of natural gas.

The property consists of the Judy Creek Beaverhill Lake Unit (the Judy Creek 'A' Pool), in which Pengrowth has a 100 percent working interest, and the Judy Creek West Beaverhill Lake Unit (the Judy Creek 'B' Pool) in which it has a 94.6 percent working interest. 'A' Pool is roughly four times the size of 'B' Pool. Estimated combined remaining reserves are 56.4 million boe, consisting of 44.7 million barrels of crude oil, 27 billion cubic feet of natural gas and 7.2 million barrels of natural gas liquids.

Since acquiring the Judy Creek property in October 1997 Pengrowth has pursued enhanced oil recovery, drilling and well optimization programs that have stabilized oil production at about 10,000 barrels per day, offsetting previous decline rates of up to 20 percent per year.

Judy Creek – more than 40 years of production history




Gas Plant
Gas Plant
Production Complex
Water Plant
'B' Pool
'A' Pool
HWY 32
1 Mile
Judy Creek Operations Area

Pengrowth uses horizontal drilling technology to selectively target this type of reservoir and improve the effectiveness of the injected solvent. To date, Pengrowth has drilled 10 horizontal injection wells and has successfully increased the amount of oil recovered.

Horizontal Injector Pattern
Vertical Injector Pattern
Oil Producer New Drill Location
Injector New Drill Location
2003 Program

1998 – 2002
11 Horizontal Injector Patterns
3 Edge Wells
15 New Patterns (22 New Drills)

2003 Plan
2 – 4 Oil Producers
2 Vertical Injectors
3 Horizontal Injector Patterns

...ew Pattern Development

...hrough a combination of drilling new wells, ...ctivating inactive wells and converting old ...oducers to injectors, Pengrowth has expanded ...th the waterflood and miscible flood into areas ...'A' Pool not previously developed. To date, ...ngrowth has drilled 17 new oil producing wells ...l five vertical water/solvent injection wells.

...lge Wells and 3D Seismic Program

...1999 Pengrowth shot a 3D seismic survey over the ...ortheast portion of 'A' Pool to identify potential oil ...ell drilling locations along the edge of the Pool. To ...ate, Pengrowth has drilled three edge wells, resulting in one oil producer. Pengrowth is currently evaluating two additional edge well locations.

Other Productive Reservoirs in the Area

In addition to the Swan Hills Formation, the primary oil reservoir in the Judy Creek area, there are other productive reservoirs on Pengrowth's Judy Creek land base. Pengrowth has been successful in developing natural gas reserves in the Judy Creek area through joint ventures and 100 percent Pengrowth developments.

Pengrowth has and will continue to pursue this multi-pronged approach to the ongoing development of the reservoir, thereby reducing development risks and increasing the ultimate value of the field.

2002 Progress

In 2002 Pengrowth drilled four production wells and three vertical injection wells at Judy Creek, and continued taking steps to reduce operating costs. In a key 2002 activity, operations staff reviewed the Judy Creek infrastructure, focusing on the integrity of the produced water pipeline system. A combination of diagnostic technologies was utilized to identify potential corrosion problem areas in old pipelines. Many of the new pipelines are constructed of fiberglass, eliminating corrosion failures.

Field staff have also optimized the scheduling and sourcing of the hydrocarbon components used to blend solvent for the Judy Creek miscible flood, thereby reducing solvent purchase costs.

2003 Outlook

Miscible flooding and other Pengrowth initiated development projects currently account for nearly one-half of Judy Creek's oil production. Opportunities for further development exist in several areas.

On the east side of 'A' Pool, Pengrowth plans to drill three new horizontal miscible injectors in 2003. In the northwest quadrant of 'A' Pool, Pengrowth will add two new water injection wells to support the oil producers that have been drilled to date. Two oil producers will be drilled in the Southwest quadrant of 'A' Pool as a first step in developing new waterflood and miscible flood patterns in this area. Based on the results of this drilling, the program may be expanded to four or more producers in 2003.

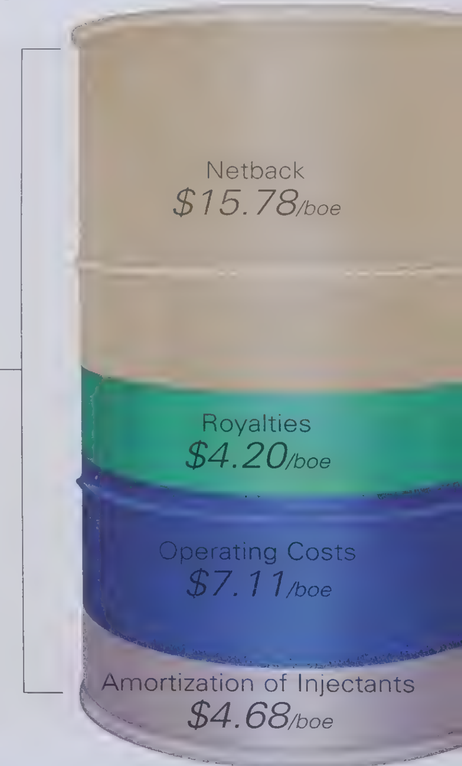
In 2003, work will continue on longer-term opportunities for Judy Creek. These include:

- An ongoing evaluation of the potential for CO_2 injection to replace hydrocarbon solvent and sequester greenhouse gases; and
- Evaluation of coalbed methane development potential in the Judy Creek area.

Judy Creek Performance 1998 to 2002

Judy Creek has provided a netback of $15.78 per boe over the past five years, based on a yearly average sales price of $31.77 per boe, less amortized injection costs, operating costs, and royalties.

Five Year Weighted Average Sales Price
$31.77
Total Sales
23,804,337 boe



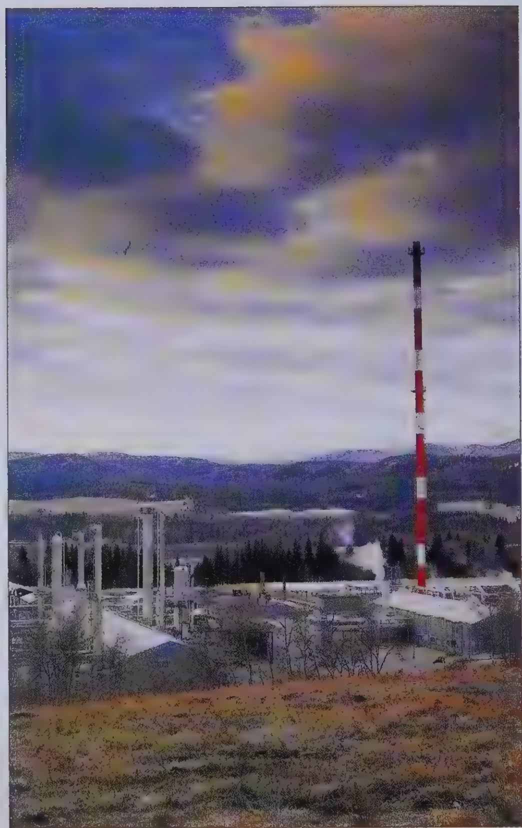
Monogram, Alberta

Pengrowth's working interest in the Monogram Gas Unit is 53.82 percent. Operated by EnCana Corporation, the Unit produces sweet, dry natural gas. Pengrowth's share of current production is approximately 9 million cubic feet per day and Pengrowth's share of Established reserves is estimated to be 34.3 billion cubic feet.

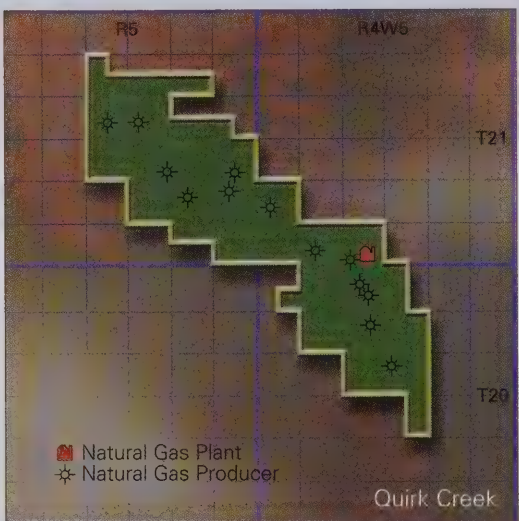
Following a successful 40-well infill drilling program completed in 2001, the operator is evaluating another infill program for 2003.

Quirk Creek, Alberta

On March 1, 2002 Pengrowth significantly expanded its ownership in the Quirk Creek area of southern Alberta by acquiring an additional 55.9 percent working interest in three producing gas wells, a 26.4 percent working interest in 10 other producing gas wells and a 25.9 percent working interest in the Quirk Creek natural gas plant for $34 million after adjustments. This compares to Pengrowth's previous 5.5 percent interest in 13 producing gas wells in the area and a 4.6 percent interest in the gas plant. Rated at 80 million cubic feet per day of raw inlet gas, the Quirk Creek gas plant currently operates at about 90 percent of capacity.



Quirk Creek Natural Gas Plant



Pengrowth's total working interest share of production for 2003 is estimated to be approximately 4.5 million cubic feet per day of natural gas and 220 barrels per day of natural gas liquids. Remaining Established reserves are estimated at 3.5 million boe, consisting of 16 billion cubic feet of natural gas and 0.8 million barrels of natural gas liquids. Pengrowth also expects that its share of processing revenue from the gas plant is similar to the operating revenue from the acquired interest.

Pengrowth believes significant upside potential exists for future gas development and processing revenue in the area.

Operations Statistical Review

Undeveloped Land

During 2002, Pengrowth's undeveloped land position increased to approximately 324,000 net acres from approximately 76,000 net acres in 2001. The increase of approximately 248,000 net acres is due to our acquisition of assets held by Calpine Canada Natural Gas Partnership in northern British Columbia. This undeveloped land base provides us with significant farm-out potential. As a first step in developing this farm-out potential, we have entered into a farm-out agreement with Progress Energy Ltd. in respect of 30,500 net undeveloped acres in the Fort St. John, B.C. area. Progress has committed to spending a minimum of $10 million on exploration on this acreage over 18 months to drill approximately 15 wells. We are aggressively pursuing other farm-out opportunities on our undeveloped lands.

	Acres Gross	Acres Net	Average Working Interest
Alberta	95,024	40,813	42.9%
British Columbia	550,907	283,353	51.4%

Oil and Gas Reserves

Reserves Reconciliation by Barrel of Oil Equivalent

(mboe)

	Proved Producing	Proved	Proved & Probable	Established
December 31, 2001	127,911	177,705	243,339	210,522
Exploration and development	570	803	865	834
Revisions	2,298	(4,615)	(12,503)	(8,559)
Acquisitions	24,147	32,086	43,394	37,740
Dispositions	(8,076)	(8,616)	(10,866)	(9,741)
Production	(15,982)	(15,982)	(15,982)	(15,982)
December 31, 2002	130,868	181,381	248,247	214,814
Life Index (years)	7.4	10.0	13.2	11.6

The positive reserve revisions in the proved producing category are mainly attributable to the Weyburn and Judy Creek properties. Reserves were moved from the total proved to proved producing category. The negative reserve revisions are mainly attributable to SOEP and in particular the recent performance of the Venture field.

Reserve Pricing Forecast

Price Assumptions*

		Crude Oil		Natural Gas	Alberta Natural Gas Liquids			
	US$/Cdn$ Exchange Rate	WTI@ Cushing (US$/bbl)	Light Sweet @Edmonton (Cdn$/bbl)	Alberta Average (Cdn$/mmbtu)	Spec Ethane (Cdn$/bbl)	Edmonton Condensate (Cdn$/bbl)	Edmonton Propane (Cdn$/bbl)	Edmonton Butane (Cdn$/bbl)
2003	0.65	25.50	38.50	5.35	18.75	39.50	24.75	27.25
2004	0.66	22.00	32.50	4.75	16.75	33.00	19.75	21.50
2005	0.67	21.00	30.50	4.50	15.75	31.00	19.50	20.50
2006	0.67	21.00	30.50	4.65	16.25	31.00	19.50	20.50
2007	0.68	21.25	30.50	4.65	16.25	31.00	19.50	20.50
2008	0.68	21.75	31.00	4.65	16.25	31.50	19.75	21.00
2009	0.68	22.00	31.50	4.65	16.25	32.00	20.25	21.50
2010	0.68	22.25	32.00	4.70	16.25	32.50	20.50	22.00
2011	0.68	22.50	32.50	4.75	16.50	33.00	20.75	22.50
2012	0.68	23.00	33.00	4.85	17.00	33.50	21.00	23.00
2013	0.68	23.25	33.50	4.90	17.00	34.00	21.50	23.50
2014+	0.68	1.5%/yr	1.5%/yr	1.5%/yr	1.5%/yr	1.5%/yr	1.5%/yr	1.5%/yr

* Gilbert Laustsen Jung Associates Ltd. price assumptions effective January 1, 2003.

Recycle Ratio

(6:1)	2002	2001	2000	1999	1998	1997
Operating netback per boe*	$ 14.69	$ 17.17	$ 20.21	$ 13.14	$ 8.30	$ 10.80
F&D costs per boe**	$ 11.53	$ 6.85	$ 9.28	$ 5.70	$ 8.97	$ 4.71
Recycle ratio***	1.3	2.5	2.2	2.3	0.9	2.3

* The operating netback is calculated by subtracting royalties, operating costs, and injectant amortization from revenue generated by oil and gas sales.

** Finding and development (F&D) costs represent the cost of acquiring and developing Established reserves.

*** The recycle ratio is a measure of the efficiency in which new reserves are added. It is defined as the operating netback divided by the F&D cost.

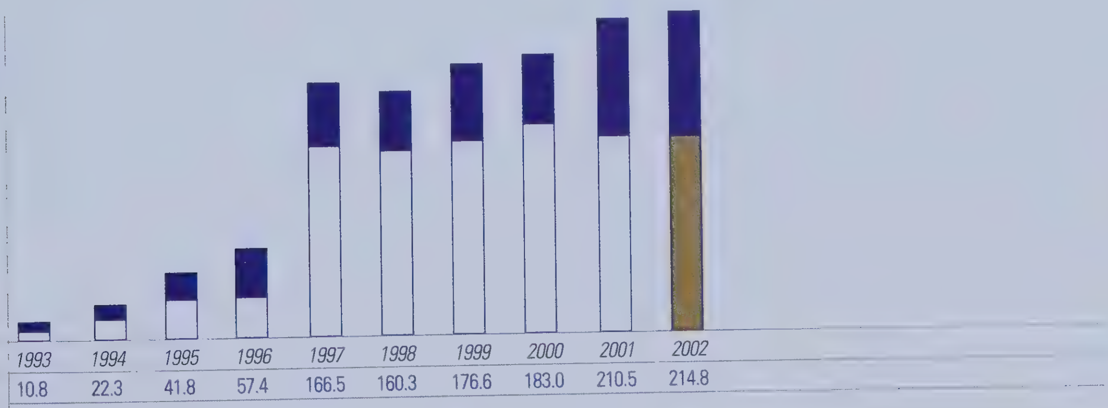
Summary of Reserves at December 31, 2002 *

	Gross Interest Reserves				Estimated Future Net Cash Flow Before Income Tax ($ million)		
					Discounted at		
	Natural Gas (bcf)	Crude Oil (mbbls)	Gas Liquids (mbbls)	BOE (mboe)	10%	12%	15%
Proved							
Producing	295.0	67,478	14,219	130,868	$ 1,101.0	$ 1,032.0	$ 946.8
Non-producing	129.0	22,639	6,373	50,513	$ 221.9	$ 189.6	$ 150.8
Total proved	424.0	90,117	20,592	181,381	$ 1,322.9	$ 1,221.6	$ 1,097.6
Probable (50%)	78.3	16,621	3,762	33,433	$ 172.2	$ 148.2	$ 121.0
Total Established	502.3	106,738	24,354	214,814	$ 1,495.1	$ 1,369.8	$ 1,218.6

	Net Interest Reserves **			
	Natural Gas (bcf)	Crude Oil (mbbls)	Gas Liquids (mbbls)	BOE (mboe)
Proved				
Producing	233.1	56,677	10,085	105,604
Non-producing	107.8	19,452	5,065	42,492
Total proved	340.9	76,129	15,150	148,096
Probable (50%)	58.8	13,846	2,708	26,351
Total Established	399.7	89,975	17,858	174,447

* Based on Gilbert Laustsen Jung Associates Ltd. (GLJ) reserve report (the "GLJ Report") effective December 31, 2002. Natural gas is converted to equivalent barrels of oil based on 6:1. Natural gas liquids are converted based on 1:1.

** Gross interest reserves net of royalties.



Established Reserves *(mmboe)*

Health, Safety, Environment and Community

Pengrowth is committed to protecting the health and safety of its employees and the public, preserving the quality of the environment and supporting the community.

Environmental

Pengrowth is committed to meeting its responsibilities to protect the environment wherever it operates. Pengrowth engages in activities to ensure compliance with the Alberta Environmental Protection and Enhancement Act, the Environmental Assessment Act (British Columbia) and similar legislation or requirements in other jurisdictions in which it operates.

Pengrowth is an active participant in the Environment, Health and Stewardship Program initiated by the Canadian Association of Petroleum Producers. This program is a commitment to industry and individual company excellence in health, safety and environmental performance and will facilitate communication to all stakeholders.

In 2002, Pengrowth declared its support for the Voluntary Challenge & Registry program. This program tracks Canada's progress in reducing green-house gas emissions. Pengrowth's involvement in this program will allow us to register our "baseline" emissions inventory and track our reductions of overall green-house gas emissions. Pengrowth's 2001 submission received gold level recognition.

Pengrowth's goal is to reduce emissions by improving the efficiency of our operations. Currently 100 percent of Pengrowth's operated dehydrators are in compliance with the CAPP voluntary emissions targets. A new program was implemented to ensure that new gas flaring requirements are effectively managed.

During 2002, Pengrowth had an active well abandonment and site restoration program. Pengrowth continued to assess and remediate sites impacted by historic operations, with a primary focus on flare pit removal.

Comprehensive inspection and upgrading programs targeted at improving the integrity of our surface piping, storage tanks and underground pipelines continued in 2002.

Health and Safety

Pengrowth achieved a Certificate of Recognition in the Partnership Program with Alberta Human Resources and the Worker's Compensation Board in 2000. Each year thereafter we have demonstrated continuous improvement in our Health and Safety Program. This is an excellent accomplishment given the continuous growth of the Trust.

Corporate Emergency Response plans are in place and have government approvals with site exercises being completed on a regular basis.

Community

Pengrowth believes in enhancing the community where employees live and work. Pengrowth Management supports causes and institutions both financially and through volunteer efforts. We are very proud of these associations and partnerships with many not-for-profit organizations.

For the past 11 years, Pengrowth Management has been the host sponsor of the Rockyview General Hospital Invitational Golf Tournament. Since inception, the tournament has raised $2.3 million to support excellence in programs and services at the Rockyview General Hospital in Calgary. Some of the areas supported include the Gastro-Intestinal Department, Cardiovascular Services, the Emergency Department and the Neo-Natal Intensive Care Unit.

The 12th annual Rockyview Tournament is set for Monday, June 23 2003 at the Glencoe Golf and Country Club in Calgary. This year, net proceeds from the golf tournament will be utilized at the Rockyview to establish the first Smart Operating Room in the Province of Alberta. The Smart Operating Room incorporates laparoscopic technology and utilizes voice control systems to enable a surgeon to control any piece of equipment through voice command. Laparoscopic surgical techniques minimize patient discomfort, speed up recovery, free up hospital beds and reduce hospital waiting times.

Management's Discussion and Analysis

The following discussion and analysis of financial results should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2002 and is based on information available to March 3, 2003.

Note Regarding Forward-Looking Statements

This discussion and analysis contains forward-looking statements. These statements relate to future events or our future performance. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", or the negative of these terms or other comparable terminology. These statements are only predictions. A number of factors, including the business risks discussed in this Management's Discussion and Analysis, may cause actual events or results to vary materially from these estimates. In addition, this discussion contains forward-looking statements attributed to third party industry sources. Readers should not place undue reliance on these forward-looking statements.

When converting natural gas to equivalent barrels of oil within this discussion, Pengrowth has adopted the international standard of six thousand cubic feet (mcf) to one barrel of oil equivalent (boe). All amounts are stated in Canadian dollars unless otherwise specified.

2002 Overview

- Distributable income of $194.5 million was paid to unitholders compared to $215.8 million in 2001. The decrease is attributable mainly to lower natural gas prices and higher operating expenses in 2002.
- Distributable income per unit was $2.07 compared to $3.01 per unit in the prior year. An additional $0.05 per unit earned in 2002 was withheld to fund capital expenditures.
- Net income decreased to $49.1 million ($0.55 per unit) compared to $85.2 million ($1.20 per unit) in 2001, due mainly to lower natural gas prices, higher operating costs and higher depletion.
- Average production increased by 9 percent over the prior year to 43,785 boe per day.
- Pengrowth obtained a listing on the New York Stock Exchange in April, and in November completed a cross-border public equity offering of 20.1 million units at $14.00 per unit. In total, two public trust unit offerings completed during 2002 raised $380 million in net equity proceeds. For the second consecutive year, this was the largest amount of new equity raised by any Canadian oil and gas royalty trust.
- Pengrowth diversified its property portfolio through the acquisition of substantially all of Calpine Canada's British Columbia properties. In total, Pengrowth acquired 37.7 million boe of Established reserves in 2002 at a price of $10.33 per boe, and sold non-core properties with reserves of 9.7 million boe.
- Year-end Established reserves increased by 2 percent to 214.8 million boe.
- Pengrowth finished the year with a strong balance sheet: long-term debt was reduced to $317 million, while committed loan facilities were expanded to $575 million at year-end. The debt-to-debt-plus-equity ratio was reduced to 23 percent from 30 percent in the prior year.

Results of Operations

Production

Average daily production increased by 9 percent to 43,785 boe per day in 2002 compared to 40,320 boe per day in 2001. This increase is attributable mainly to the acquisition of Calpine Canada's British Columbia properties on October 1, 2002 and a full year's production from the Sable Offshore Energy Project ("SOEP") interest which was acquired in June 2001.

DAILY PRODUCTION VOLUMES

	2002	2001	% Change
Crude oil (bbls/d)	19,914	19,726	+ 1%
Natural gas (mcf/d)	111,713	91,764	+ 22%
Natural gas liquids (bbls/d)	5,252	5,258	–
Total daily sales volumes (boe/d)	43,785	40,320	+ 9%

The exit production rate for December was approximately 52,000 boe per day, comprised of 48 percent crude oil, 41 percent natural gas and 11 percent natural gas liquids.

Pricing and Commodity Price Hedging

PENGROWTH'S AVERAGE REALIZED PRICES

(Adjusted for Hedging)	2002	2001	% Change
Crude oil ($/bbl)	$ 38.06	$ 37.26	+ 2%
Natural gas ($/mcf)	$ 3.85	$ 4.48	- 14%
Natural gas liquids ($/bbl)	$ 28.11	$ 30.68	- 8%
Total oil and gas sales ($/boe)	$ 30.18	$ 31.93	- 5%

BENCHMARK PRICING

	2002	2001	% Change
WTI crude oil (US$/bbl)	$ 26.08	$ 25.90	+ 1%
AECO (monthly) natural gas ($/mcf)	$ 4.07	$ 6.30	- 35%
NYMEX (HH close) natural gas (US$/mmbtu)	$ 3.22	$ 4.27	- 25%
Currency (Cdn$/US$)	1.5703	1.5489	+ 1%

Pengrowth's average realized crude oil price increased by 2 percent in 2002 to $38.06 per barrel from $37.26 in 2001. This price difference reflects a similar increase in the WTI benchmark crude price, adjusted for the Cdn$/US$ exchange rate. The impact of increased hedging losses in 2002 was largely offset by lower differentials on heavier streams of crude oil in 2002.

In 2002 Pengrowth had 4,430 barrels per day, or 22 percent, of crude oil production hedged at an average price of Cdn$38.66 per barrel. Pengrowth's hedging program resulted in a total hedging loss on crude oil for the year of $6.1 million or $0.83 per barrel, compared to a loss of $0.6 million or $0.09 per barrel in 2001. Hedging losses are recorded as a component of oil and gas sales.

Pengrowth's average realized natural gas price declined by 14 percent from $4.48 per mcf in 2001 to $3.85 per mcf in 2002. In comparison, the average AECO and NYMEX benchmark gas prices fell by 35 percent and 25 percent respectively. The lower decline in Pengrowth's average price compared to these indices is due to the impact of Pengrowth's hedging program for 2002.

During 2002 Pengrowth sold 2.7 billion cubic feet of natural gas at an average price of $2.97 per mcf under fixed-price contracts. These contracts were entered into in 1999 and expired in the fourth quarter of 2002. As the average spot price exceeded this hedged position, an opportunity cost of $1.9 million or $0.05 per mcf (relative to the monthly AECO index) is included in Pengrowth's gas sales for 2002. In addition, Pengrowth had 2.6 billion cubic feet hedged with financial swap contracts at an average price of US$3.90 (before transportation), resulting in a hedging gain of $0.1 million. In total, Pengrowth realized a net hedging loss on natural gas of $1.8 million ($0.04 per mcf) compared to a loss of $16.1 million ($0.48 per mcf) in 2001.

Pengrowth's average price for natural gas liquids (NGLs) fell by 8 percent to $28.11 per barrel in 2002, reflecting the impact of lower natural gas prices on natural gas liquids.

Oil and Natural Gas Sales

Oil and Natural Gas Sales

($ millions)	2002	2001	% Change
Crude oil	$ 276.6	$ 268.3	+ 3%
Natural gas	156.9	150.2	+ 4%
Natural gas liquids	53.9	58.9	- 8%
Less: gross overriding royalties	(8.2)	(9.9)	- 17%
Gas marketing and brokering income	3.1	2.4	+29%
Total oil and natural gas sales	$ 482.3	$ 469.9	+ 3%

Pengrowth's oil and natural gas sales increased 3 percent to $482.3 million in 2002. This increase in revenue is attributable to acquisitions over the last year, offset by lower average commodity prices. The following table illustrates the effect of changes in prices and volumes on oil and natural gas sales.

Oil and Natural Gas Sales – Price and Volume Analysis

($ millions)	Oil	Natural Gas	NGL	GORR	Other	Total
Year ended December 31, 2001	$ 268.3	$ 150.2	$ 58.9	$ (9.9)	$ 2.4	$ 469.9
Effect of change in sales volumes	2.5	32.7	–	–	–	35.2
Effect of increase (decrease) in product price	5.8	(26.0)	(5.0)	–	–	(25.2)
Other	–	–	–	1.7	0.7	2.4
Year ended December 31, 2002	$ 276.6	$ 156.9	$ 53.9	$ (8.2)	$ 3.1	$ 482.3

Royalties

Crown royalties, freehold royalties and mineral taxes increased to $80.6 million or 17 percent of oil and natural gas sales from $72.0 million or 15 percent of oil and natural gas sales in 2001. The increase in the

royalty rate as a percentage of oil and natural gas sales is due to lower injection credits received in 2002 with the reduction of miscible flood injection costs, and a slightly higher effective royalty rate for the newly acquired British Columbia properties, offset in part by the impact of a lower natural gas Crown royalty reference price in Alberta and a full year's contribution from the SOEP interest, which had an effective royalty rate of approximately 1 percent in 2002 (this is expected to increase to approximately 2 percent in 2003).

Operating Expenses

Operating expenses increased to $129.8 million in 2002 from $104.9 million in 2001, mainly as a result of additional properties acquired in the past year and the SOEP interest acquired in June 2001. Operating costs per unit of production increased by 14 percent to $8.12 per boe from $7.13 per boe in 2001. The increase in operating costs per boe is attributable to a number of factors, including higher average operating costs at the SOEP interest, offset in part by lower per boe costs for the newly acquired British Columbia properties.

Pengrowth's operating expenses are expected to increase in 2003 with the full year's impact of the British Columbia properties acquired in the fourth quarter of 2002, and an expected increase in the Emera Inc. ("Emera") processing fee due to Emera's additional capital expenditure requirements for Tier II development, which will increase the processing fee base. Other capital expenditures paid by Emera will also be included in the rate base.

At this time, a moderate increase in Pengrowth's average operating expenses per boe is anticipated for 2003. If current commodity price levels are sustained, further increases could result from higher electricity rates and general cost increases in the industry.

Amortization of Injectants for Miscible Floods

The cost of injectants (primarily ethane and methane) purchased for injection in miscible flood programs is amortized over the period of expected future economic benefit, which is currently 30 months. In 2002, the total cost of purchased injectants was $15.1 million (2001 – $56.4 million), with $44.3 million amortized and deducted from distributable income (2001 – $47.4 million). As at December 31, 2002, Pengrowth had deferred injectant costs of $33.8 million which will be amortized and charged against distributable income of future periods.

The value of Pengrowth's proprietary injectants is not recorded until reproduced from the flood and sold, although the cost of producing these injectants is included in operating costs. Total injectant costs are expected to increase in 2003, due mainly to higher forecast prices for ethane and methane; however, the amount of injectants amortized against distributable income is expected to decline as the deferred portion of prior years' costs has declined.

Interest

Interest expense declined to $15.4 million in 2002 from $18.8 million in 2001 mainly as a result of lower interest rates in 2002. Pengrowth's average interest rate for 2002 was 4.6 percent compared to 5.2 percent in 2001.

Pengrowth has locked in the interest rate on $125 million of long-term debt by entering into interest rate swaps for three-year terms ending in November 2004 to March 2005, at an average borrowing cost of 4.09 percent, before stamping fees.

Many variables will affect interest expense in 2003, including future acquisitions and capital spending, the relative amount of debt and equity financing, as well as prevailing interest rates on the portion of debt for which the interest rate has not been fixed.

Pengrowth is considering replacing a portion of its existing bank debt with longer-term debt, which will diversify Pengrowth's sources of debt and provide longer-term certainty on Pengrowth's interest costs, but may have a higher interest rate compared to prevailing rates on the existing facility.

General and Administrative Expenses

General and administrative expenses increased to $11.0 million ($0.69 per boe) in 2002 from $7.5 million ($0.51 per boe) in 2001. This increase is due to additional costs of managing a larger property portfolio and an expansion of the Trust unitholder base, as well as general cost and salary increases over the period.

As a result of recent staff additions and the move to larger and higher-rent office premises in the fourth quarter of 2002, Pengrowth anticipates general and administrative costs will increase by approximately 20 percent in 2003, based on current staffing levels. Pengrowth includes the general and administrative costs associated with its Calgary-based operations team in operating expense.

EMPLOYEES

Pengrowth Employees (at December 31)	2002	2001
Calgary office	50	38
Calgary operations	33	23
Field	123	108
Total	206	169

Management Fees

Management fees paid to Pengrowth Management Limited (the Manager) were $6.6 million in 2002 compared to $7.1 million in 2001. On a unit-of-production basis, management fees decreased to $0.41 per boe compared to $0.48 per boe in 2001. Management fees are based on a sliding scale percentage of net operating income as follows:

Level of Net Operating Income	Management Fee
First $50 million	3.5%
Next $50 million	3.0%
All amounts over $100 million	2.5%

In addition, the Manager earns a fee on the acquisition of oil and gas properties by Pengrowth based on the following sliding scale:

- 1 percent on the "Base Amount". The Base Amount is defined as a minimum of $100 million, or the purchase price of Established reserves acquired to replace production from the preceding calendar year. If the reserve replacement amount is greater than $100 million in any year, then it becomes the Base Amount for the next year.
- 0.5 percent of the purchase price of any amount above the Base Amount.

The Manager is reimbursed for general and administrative costs incurred on behalf of Pengrowth Corporation and Pengrowth Energy Trust.

In 2002, $2.5 million (2001 – $2.2 million) was paid to the Manager for acquisition fees. Acquisition fees paid to the Manager are capitalized as part of the cost of the acquired properties.

A special committee of the Board of Directors of Pengrowth Corporation has been formed to consider alternatives to the existing managment agreement. The management agreement must be considered by the unitholders of Pengrowth Energy Trust at the 2003 Annual General Meeting.

Taxes

Capital taxes of $0.5 million in 2002 (2001 – $2.7 million) consist of the Federal Large Corporations Tax and the Saskatchewan Capital Tax and Resource Surcharge. Included in the amount recorded in 2002 is a recovery of $1.3 million related to prior year reassessments.

In determining its taxable income, Pengrowth Corporation deducts royalty payments to unitholders, and historically, this has been sufficient to reduce taxable income to nil. The recent change to Pengrowth's distribution policy, whereby approximately 10 percent of funds available for distribution are withheld to fund capital expenditures, could result in taxable income in the Corporation in the future. There are, at present, sufficient tax pools available in the Corporation to offset the expected level of income to be retained.

Pengrowth Energy Trust paid $1.93 per unit as cash distributions during the 2002 calendar year. For Canadian tax purposes, 22 percent of these distributions or $0.4252 per unit is taxable income to unitholders for the 2002 tax year. The remaining 78 percent or $1.5048 per unit is a tax deferred return of capital which will reduce the unitholder's cost base of the unit for purposes of calculating a capital gain or loss upon ultimate disposition of the trust units.

At December 31, 2002, the Trust had unused tax deductions of $10.64 per unit (2001 – $11.06). At this time, Pengrowth anticipates that approximately 55-60 percent of 2003 distributions will be taxable. This estimate is subject to change depending on a number of factors including, but not limited to, the level of commodity prices, acquisitions, dispositions, and new equity offerings.

Depletion and Ceiling Test

Depletion and depreciation of property, plant and equipment is provided on the unit-of-production method based on total proved reserves. The provision for depletion and depreciation increased by 12 percent in 2002 to $138.9 million from $124.2 million in 2001 due to a larger depletable asset base and higher

production. On a unit-of-production basis, depletion increased by 3 percent to $8.69 per boe in 2002 from $8.44 per boe in 2001.

Under Canadian generally accepted accounting principles (GAAP), a ceiling test is applied to the carrying value of the property, plant and equipment and other assets. The cost of these assets, less accumulated depletion, is limited to the estimated future net revenue from proved reserves (based on unescalated prices and costs at the balance sheet date), less estimated future general and administrative costs, financing costs, and management fees. There was a significant surplus in the ceiling test at year-end 2002.

Future Site Restoration

An engineering estimate of the future costs for restoration and abandonment of well sites and facilities is updated annually. This cost estimate is amortized against net income over the life of the properties on a unit-of-production basis. The provision for future site restoration costs increased to $13.4 million in 2002 from $8.5 million in 2001, primarily as a result of properties acquired over the past year.

The Accounting Standards Board (AcSB) has issued an Exposure Draft proposing a new section of the CICA Handbook – "Asset Retirement Obligations". The new section, if adopted, would harmonize Canadian GAAP requirements with the corresponding U.S. GAAP requirements under FASB 143. Under these standards, the fair value of a liability for asset retirement obligations would be recognized in the period in which it is incurred, and a corresponding asset retirement cost would be added to the carrying amount of the related asset. The proposed section would be effective for fiscal years beginning on or after January 1, 2004. Pengrowth will be required to comply with FASB 143 within reconciliations of the financial statements to U.S. GAAP effective January 1, 2003.

Remediation Expenses and Trust Fund Contributions

Pursuant to the purchase of the Judy Creek and Swan Hills properties from Imperial Oil Resources in 1997, Pengrowth established a trust fund to fund certain obligations of these properties. Pengrowth made net contributions of $0.9 million to this fund in 2002 compared to $1.0 million in 2001. Under the current terms of the trust fund, Pengrowth must make an annual lump sum contribution of $250,000 and monthly contributions of $0.10 per boe of production from the related properties.

Every five years Pengrowth must deliver a report to Imperial Oil Resources evaluating the assets in the trust fund and the outstanding remediation obligations, and make recommendations as to whether contribution levels should be changed. Pengrowth is currently in discussions with Imperial in respect of required contributions for 2003 and future periods.

During 2002, Pengrowth spent an additional $0.9 million in reclamation expenditures that were not covered by the trust fund, compared to $1.1 million in 2001.

Netbacks

Pengrowth earned $12.48 for every boe produced in 2002 compared to $14.66 per boe in 2001. As illustrated below, the lower netback realized in 2002 is mainly due to lower average commodity prices and higher operating costs.

Netbacks per boe of Production (6:1)

Year ended December 31	2002	2001
Oil and gas sales	$ 30.18	$ 31.93
Crown and freehold royalties, net of incentives	(5.04)	(4.89)
Other income	0.45	0.56
Operating costs	(8.12)	(7.13)
Amortization of injectants	(2.77)	(3.22)
Operating netback	14.70	17.25
Interest	(0.96)	(1.28)
General and administrative	(0.69)	(0.51)
Management fees	(0.41)	(0.48)
Capital taxes	(0.03)	(0.18)
Other	(0.13)	(0.14)
Netback per boe	$ 12.48	$ 14.66

Acquisitions and Dispositions

In October 2002, Pengrowth acquired substantially all of the properties in northern British Columbia owned by Calpine Canada Natural Gas Partnership (less a minor share of these assets which were concurrently sold to Progress Energy) for total net consideration of $352 million, after closing adjustments.

Based on the reserves evaluation completed at the time of the acquisition of the British Columbia properties, GLJ forecast production in the second half of 2002 to average 15,785 boe per day, based on Established reserves. Actual production for this period averaged approximately 12,900 boe per day. This reduced production rate is attributed to a number of factors including an extended third-party facility outage and steeper than anticipated declines in some of the major oil producing properties. GLJ's most recent 2002 year-end reserves evaluation resulted in a 4 percent reduction in Established reserves associated with these British Columbia properties, compared to their December 2002 reserves forecast at the time of the acquisition.

Pengrowth plans to spend approximately $16 million in development activities at these properties in 2003. Total annual production from the British Columbia properties is expected to average approximately 11,500 boe per day in 2003.

In the second quarter of 2002, Pengrowth acquired additional working interests in the Quirk Creek area, including an additional 25.9 percent working interest in the Quirk Creek gas plant, for $34 million after adjustments. In total, Pengrowth acquired 37.7 million boe of Established reserves in 2002, at an average price of $10.33 per boe to replace more than 230 percent of the year's total production.

Several non-core properties were sold in 2002 for total aggregate proceeds of $43.1 million, after adjustments. Pengrowth frequently reviews its property portfolio and may dispose of additional non-core assets in the future as opportunities for rationalization and consolidation are identified.

Capital Expenditures

Pengrowth spent $55.6 million in capital expenditures in 2002 compared to $74.0 million in 2001; $48.2 million was spent on development drilling, completions and tie-ins, and $7.4 million was spent on facilities.

In 2003, Pengrowth expects to spend approximately $87 million on development opportunities at existing properties. The majority of this will be spent at Judy Creek, SOEP, the newly acquired British Columbia properties, and Weyburn.

Capital Expenditures

Year ended December 31	2002			2001
($ millions) Property	Development Drilling	Facilities	Total Capital Expenditures	Total Capital Expenditures
Judy Creek	$ 18.1	$ 2.7	$ 20.8	$ 27.8
SOEP*	14.2	–	14.2	7.5
McLeod River	4.9	0.2	5.1	5.9
Goose River	4.2	0.5	4.7	1.4
Weyburn	1.5	0.7	2.2	5.3
House Mountain	1.3	0.4	1.7	4.0
Swan Hills	1.1	0.4	1.5	2.0
Nipisi	0.3	0.4	0.7	3.0
Monogram	–	0.1	0.1	4.2
Other	2.6	2.0	4.6	12.9
Total	$ 48.2	$ 7.4	$ 55.6	$ 74.0

* Relates only to Pengrowth's royalty share of capital expenditures.

Development drilling at Judy Creek included four producing oil wells and three vertical injection wells. Development plans for 2003 include two to four new oil wells and three horizontal and two vertical injectors.

Recent drilling and production results at SOEP have been mixed. A successful well was drilled at the South Venture field but has not yet been tested. Increased water production occurred in the Venture field. Successful reworks of several wells were required to replace lost production. A well intended to identify upside potential from a new fault block in the Glenelg field was abandoned. Production rates were anticipated to continue to vary over the life of the project due to multiple fields and reservoirs as well as facility project timing.

Phase II of the SOEP project is currently under construction with the development of the Alma field. Two wells are planned for Alma this summer and production startup is expected in late 2003. Construction of the South Venture platform is proceeding and production is expected to come on stream in late 2004.

Pengrowth has an agreement with Emera regarding capital expenditures for offshore capital projects at SOEP whereby, once the capital expenditures exceed a threshold of $65 million, further costs can either be reflected as an increase in the processing fee rate base, which is based on a 15 percent rate of return on a pre-tax basis, or, at the option of Emera, the costs could be passed through to or borne directly by Pengrowth. At this time, Pengrowth anticipates that Emera will not reach the $65 million expenditure threshold until early 2004.

At McLeod River, Pengrowth drilled five successful natural gas wells in 2002 and plans to drill four to six gas wells in 2003. We anticipate participating in three non-operated wells in 2003. At Goose River, four successful oil wells were drilled and put on production in 2002. At Weyburn, development activities included additional infill drilling, injection wells and infrastructure to support the CO_2 miscible flood project. Incremental oil production from the CO_2 injection had increased to approximately 5,000 barrels per day (488 barrels per day net to Pengrowth) by year-end.

Net Asset Value

In the following table, Pengrowth's net asset value is measured with reference to the present value of future net cash flows from reserves, as estimated by independent reserve engineers, Gilbert Laustsen Jung Associates Ltd. (GLJ), less any working capital deficiency and long-term debt at year-end.

Net Asset Value December 31, 2002

($ millions except per unit amounts)

	Present Worth Discounted At		
	10%	12%	15%
Present value of net cash flows from Established reserves*	$ 1,495	$ 1,370	$ 1,219
Current assets less current liabilities	9	9	9
Remediation trust fund	7	7	7
Distributions payable to unitholders	45	45	45
Long-term debt	(317)	(317)	(317)
Net asset value	$ 1,239	$ 1,114	$ 963
Net asset value per trust unit	$ 11.21	$ 10.08	$ 8.71

* Based on GLJ's report effective December 31, 2002 for Established reserves (proved plus half probable) and GLJ's January 2003 price forecast. Excludes future site restoration costs.

Financial Resources and Liquidity

Pengrowth's long-term debt decreased by $29 million in fiscal 2002 to $317 million at December 31, 2002. The factors contributing to the change in long-term debt are shown in the following table:

Continuity of Long-term Debt

($ millions)	2002	2001
Beginning balance, January 1	$ 345	$ 287
Less: Net equity proceeds	(382)	(306)
Property dispositions	(43)	(24)
Cash (provided by) used for operating activities	(58)	37
Add: Property acquisitions	392	280
Capital expenditures	56	74
Other	7	(3)
Ending balance, December 31	$ 317	$ 345

Pursuant to a unitholder resolution on April 23, 2002, the Board of Directors of Pengrowth Corporation may elect to retain up to 20 percent of gross revenues to provide for the payment of future capital expenditures or for the payment of future distributions. Commencing with the January 15, 2003

monthly distribution to unitholders, approximately 10 percent of funds available for distribution have been withheld to repay debt and/or contribute to capital spending in the future. Subject to the limit of 20 percent of gross revenues approved by unitholders, the Board of Directors may elect to increase (or decrease) the amount withheld in the future, depending on a number of factors, including future commodity prices, capital expenditure requirements, and the availability of debt and equity capital.

Pengrowth currently has a $540 million revolving credit facility syndicated among nine financial institutions with an extendible 364-day revolving period and a three-year amortization term. In addition, Pengrowth has a $35 million demand operating line of credit. These facilities in aggregate are reduced by outstanding letters of credit in the amount of approximately $33 million. For 2004, the facilities will be reduced by a further $25 million of letters of credit.

Financial Leverage and Coverage

	2002	2001
Distributable income to interest expense (times)	12	11
Long-term debt to distributable income (times)	1.6	1.6
Long-term debt to debt plus equity (%)	23%	30%

Risk Management Program

Pengrowth uses forward and futures contracts to manage its exposure to commodity price fluctuations. Commodity price hedges in place at December 31, 2002 are provided in Note 14 to the Financial Statements. Subsequent to year-end, Pengrowth has entered into additional contracts and now has the following volumes hedged for 2003 and 2004:

	Crude Oil		Western Natural Gas		Eastern Natural Gas	
	Volume (bbls/d)	Average Price (Cdn$/bbl)	Volume (mcf/d)	Average Plantgate Price (Cdn$/mcf)	Volume (mmbtu/d)	Average Plantgate Price (Cdn$/mmbtu)
2003	11,000	$ 41.41	14,217	$ 5.97	17,000	$ 5.09
2004	8,500	$ 38.09			12,000	$ 4.54

Trust Unit Information

Trust Unit Trading – TSE		High	Low	Close	Volume (000s)	Value ($ millions)
2002	1st quarter	$ 16.23	$ 13.25	$ 16.13	11,395	$ 165.7
	2nd quarter	17.00	14.60	15.05	12,588	197.1
	3rd quarter	15.63	13.01	14.90	9,367	140.8
	4th quarter	14.99	13.42	14.73	17,760	250.1
	Year	$ 17.00	$ 13.01	$ 14.73	51,110	$ 753.7
2001	1st quarter	$ 21.25	$ 18.70	$ 19.85	8,784	$ 176.2
	2nd quarter	21.95	17.11	18.10	10,048	205.2
	3rd quarter	19.50	14.05	15.00	9,471	163.8
	4th quarter	17.20	12.80	14.22	12,946	189.2
	Year	$ 21.95	$ 12.80	$ 14.22	41,249	$ 734.4

TRUST UNIT TRADING – NYSE (listed on April 10, 2002) (in US$)		High	Low	Close	Volume (000s)	Value ($ millions)
2002	2nd quarter	$ 10.90	$ 9.50	$ 9.93	1,784	$ 18.1
	3rd quarter	10.25	8.40	9.37	1,141	11.0
	4th quarter	9.79	8.50	9.27	6,747	60.6
	Year	$ 10.90	$ 8.40	$ 9.27	9,672	$ 89.7

Pengrowth had 110,562,327 trust units outstanding at December 31, 2002, compared to 82,240,069 trust units at December 31, 2001. The weighted-average number of units outstanding during the year was 89,922,886 (2001 – 70,910,746).

On June 4, 2002 Pengrowth completed a public offering of 8.0 million units at $15.40 per unit to raise total gross proceeds of $123.2 million. In November 2002, Pengrowth completed another public offering, in Canada and the United States, issuing an additional 20.1 million units at $14.00 for gross proceeds of $281.2 million.

BUSINESS RISKS

The amount of distributable income available to unitholders and the value of Pengrowth Energy Trust units are subject to numerous risk factors. As the trust units allow investors to participate in the net cash flow from Pengrowth's portfolio of producing oil and natural gas properties, the principal risk factors that are associated with the oil and gas business include, but are not limited to, the following influences:

- The prices of Pengrowth's products (crude oil, natural gas, and natural gas liquids) fluctuate due to many factors including local and global market supply and demand, weather patterns, pipeline transportation, and political stability.
- The marketability of our production depends in part upon the availability, proximity and capacity of gathering systems, pipelines and processing facilities. Operational or economic factors may result in the inability to deliver our products to market.
- Geological and operational risks affect the quantity and quality of reserves and the costs of recovering those reserves. Our actual results will vary from our reserve estimates, and those variations could be material.
- Government royalties, income taxes, commodity taxes, and other taxes, levies and fees have a significant economic impact on Pengrowth's financial results. Changes to federal and provincial legislation governing such royalties, taxes and fees could have a material impact on Pengrowth's financial results and the value of Pengrowth trust units.
- Environmental laws and regulatory initiatives impact Pengrowth financially and operationally. We may incur substantial capital and operating costs to comply with increasingly complex laws and regulations covering the protection of the environment and human health and safety. In particular, we may be required to incur significant costs to comply with the 1997 Kyoto Protocol to the United Nations Framework Convention on Climate Change (the Kyoto Protocol).

- Pengrowth's oil and gas reserves will be depleted over time and our level of distributable income and the value of our trust units could be reduced if reserves and production are not replaced. The ability to replace production depends on Pengrowth's success in developing existing reserves, acquiring new reserves and financing this development and acquisition activity within the context of the capital markets.
- A significant portion of our properties are operated by third parties. If these operators fail to perform their duties properly, or become insolvent, we may experience interruptions in production and revenues from these properties or incur additional liabilities and expenses as a result of the default of these third-party operators.
- Increased activity within the oil and gas sector can increase the cost of goods and services and make it more difficult to hire and retain professional staff.
- Changing interest rates influence borrowing costs and the availability of capital.
- Investors' interest in the oil and gas sector may change over time, which could affect the availability of additional capital and the value of Pengrowth trust units.
- Inflation may result in escalating costs, which could impact unitholder distributions and the value of Pengrowth trust units.
- Canadian/U.S. exchange rates influence revenues and, to a lesser extent, operating and capital costs.
- The declining value of the Canadian dollar, relative to the U.S. dollar, provides a competitive advantage to U.S. companies in acquiring Canadian oil and gas properties and may make it more difficult to replace reserves through acquisitions.
- The value of Pengrowth trust units is impacted directly by the related tax treatment of the trust units and the trust unit distributions, and indirectly by the tax treatment of alternative equity investments. Changes in Canadian or U.S. tax legislation could adversely affect the value of our trust units.

Pengrowth mitigates some of these risks by:

- Fixing the price on a portion of its future crude oil and natural gas production through financial hedging contracts or fixed price sales contracts.
- Fixing the Canadian/U.S. exchange rate through financial hedging contracts or by fixing commodity prices in Canadian dollars.
- Fixing interest rates through interest rate swaps on a portion of its long-term debt.
- Offering competitive incentive-based compensation packages to attract and retain highly qualified and motivated professional staff.
- Adhering to strict investment criteria for acquisitions.
- Acquiring mature production with long-life reserves and proven production.
- Performing extensive geological, geophysical, engineering and environmental analysis before committing to capital development projects.
- Geographically diversifying its portfolio.
- Controlling costs to maximize profitability.

- Developing and adhering to policies and practices that protect the environment and meet or exceed the regulations imposed by the government.
- Developing and adhering to safety policies and practices that meet or exceed regulatory standards.
- Ensuring strong third-party operators for non-operated properties.
- Carrying insurance to cover physical losses and business interruption.

Business Prospects

The current commodity price environment is expected to yield favourable results for Pengrowth unitholders in the first quarter of 2003, and perhaps further into the year. Crude oil prices have recently spiked to highs of more than US$35.00 per barrel of West Texas Intermediate (WTI) compared to the US$20.00 per barrel range at this time last year. Oil prices have been driven higher by the strike in Venezuela and concerns over the war in Iraq.

Natural gas prices are also strong, with NYMEX natural gas trading close to the US$5.00 per mmbtu range, and Alberta spot gas at AECO trading well above Cdn$8.00 per mcf. The storage surplus created by the warm winter of 2001-2002 had all but disappeared heading into the 2002-2003 heating season, resulting in substantially higher prices coming into this winter season compared to the prior year, and recent cold weather in the eastern U.S. is continuing to push prices higher. Natural gas prices are also being impacted by high crude prices. Near-term natural gas prices will be impacted by weather conditions throughout the remainder of the winter heating season, as well as the direction of crude prices. Over the longer-term, prices will be impacted by the fundamentals of supply and demand, with supply affected by a continuing decline in North American reserves and production, and demand impacted by the speed of economic recovery in the U.S.

Although we are currently in a very favourable commodity price environment, the oil and gas industry is cyclical and we know we cannot count on these prices being sustained for any length of time. In order to limit unitholders' exposure to potential price downturns, and to provide some stability to monthly distributions, Pengrowth has hedged a portion of current production and will continue to monitor commodity prices and may enter into additional hedges for 2003 and forward.

Pengrowth has an active development program planned for 2003, with more than $87 million planned for development opportunities at existing properties. In addition, Pengrowth's operations' personnel are continually looking for further initiatives to enhance production from existing properties and to control and reduce costs in order to maximize returns from our existing property portfolio.

Pengrowth continues to pursue acquisition opportunities in order to replace production and reserves. However, within the current environment of high commodity prices, the competition for acquisition opportunities is expected to remain strong. Pengrowth will remain diligent in pursuing only those acquisition opportunities that enhance unitholder returns over the long-term.

Board of Directors

LEFT TO RIGHT: STANLEY H. WONG, JOHN B. ZAOZIRNY, FRANCIS G. VETSCH, JAMES S. KINNEAR, THOMAS A. CUMMING, MICHAEL A. GRANDIN

Thomas A. Cumming, Director

Thomas A. Cumming, BA.Sc., P.Eng., joined Pengrowth Corporation's Board of Directors in April 2000, having held the position of President and C.E.O. of the Alberta Stock Exchange from 1988 to 1999. His career also includes 25 years with a major Canadian bank both nationally and internationally. He currently serves as a Director of the Calgary YMCA Foundation, the Alberta Capital Market Foundation, the Canadian Investor Protection Fund and is a member of Council, Power Pool of Alberta. He is also a past president of the Calgary Chamber of Commerce.

James S. Kinnear, Chairman, President & C.E.O.

Mr. Kinnear graduated from the University of Toronto in 1969 with a B.Sc. degree and received a C.F.A. designation in 1979. In 1982 he founded Pengrowth Management Limited and in 1988 created Pengrowth Energy Trust. Prior to 1982 he was research director and partner with a securities firm in Montreal and previously worked as a securities analyst in Toronto and London, England. Mr. Kinnear was awarded the Ernst and Young, Prairies Region Entrepreneur of the Year award for 2001.

Francis G. Vetsch, Director

Francis G. Vetsch, B.Sc., P.Eng., is President of Quantex Resources Ltd. and is the former President of Tripet Resources and Chairman of Chauvco Resources Ltd. In his earlier career he served as President and C.E.O. of Alberta Eastern Gas Ltd. for six years and Vice President, Operations of Atlantic Richfield Canada for six years.

Stanley H. Wong, Director

Stanley H. Wong, B.Sc., P.Eng., is President of Carbine Resources Ltd., a private oil and gas producing and engineering consulting company. He was Senior Engineer with Hudson's Bay Oil & Gas for 10 years and employed by Total Petroleum for 15 years where he was Chief Engineer and later became Manager of Special Projects. He is currently a Director of Cavell Energy Corporation.

John B. Zaozirny, Lead Director

John B. Zaozirny, Q.C., B.Comm., LL.B., LL.M., is Counsel to McCarthy Tetrault and Vice Chairman of Canaccord Capital Corporation. He was Minister of Energy and Natural Resources for the Province of Alberta from 1982 to 1986. John currently serves on the board of numerous Canadian and international corporations. He is also a Governor of the Business Council of British Columbia.

Michael A. Grandin, Director

Michael A. Grandin, B.Sc., P.Eng., M.B.A., joined the Board of Directors of Pengrowth Corporation in April 2002 having most recently held the position of President of PanCanadian Energy Corporation. Mr. Grandin was Executive Vice President and Chief Financial Officer, Canadian Pacific Limited from 1998 to 2001. Mr. Grandin is currently Chairman & C.E.O. of Fording Canadian Coal Trust and also a Director of Enerflex Systems Ltd., EnCana Corporation and IPSCO.

Corporate Governance

The Board of Directors of Pengrowth Corporation complies with the guidelines for effective corporate governance of the Toronto Stock Exchange Committee on Corporate Governance. The guidelines address the constitution of boards of directors and board committees as well as their functions, their independence from management and other means to promote sound corporate governance practice.

The Board of Directors of Pengrowth Corporation will seek to comply with prevailing standards for corporate governance in both Canada and the United States. As a foreign issuer in the United States, Pengrowth Energy Trust is considering the application of recent recommendations by the Corporate Accountability and Listings Standards Committee of the Board of the New York Stock Exchange and the legislative reforms contained in the Sarbanes-Oxley Act of 2002.

The following are important elements of our current corporate governance practice:

- The Board of Directors of Pengrowth Corporation is responsible for the overall stewardship of Pengrowth Corporation and Pengrowth Trust and for determining corporate strategy and direction. The Board of Directors of Pengrowth Corporation considers management development and succession programs, strategic business development such as significant acquisitions and financing proposals including the issuance of trust units and other securities, as well as those matters which require board approval;
- Two members of the Board of Directors are considered related to the Corporation and/or the Trust by virtue of their appointment by Pengrowth Management and other factors. The remainder (up to six) of the directors are independent in that they have not worked for Pengrowth Corporation (nor Pengrowth Management) nor do they have material contracts with Pengrowth Corporation (nor Pengrowth Management) nor do they receive remuneration from Pengrowth Corporation (nor Pengrowth Management), other than options to acquire trust units, in excess of directors' fees payable by Pengrowth Corporation;
- The Board of Directors has established the Corporate Governance and Compensation Committee. This Committee is comprised of the four independent directors. The Committee's activities have included:
  - Adoption of a charter for corporate governance, which has been ratified by the Board of Directors;
  - Development of procedures for assessing the effectiveness of the Board of Directors, its committees and individual directors;
  - Undertaking responsibility for evaluating the performance of Pengrowth Management and making recommendations to the unitholders as to the terms of the Management Agreement. The Committee has engaged outside advisors to review the terms of the Management Agreement in order to make a recommendation to our unitholders at the 2003 annual meeting, as required by the trust indenture; and
  - Consideration of a code of business ethics and policies on disclosure and insider trading.

- The independent members of the Board of Directors meet separately at meetings of the board under the chairmanship of a lead director;
- The Audit Committee of the Board of Directors is comprised entirely of independent members of the board and communicates directly with the auditors of Pengrowth Corporation and Pengrowth Energy Trust;
- A Reserves Committee of the Board of Directors has been appointed to review Pengrowth's standards for reporting reserves for its portfolio of oil and natural gas properties. The Reserves Committee communicates directly with Gilbert Laustsen Jung Associates Ltd., Pengrowth Corporation's independent engineers; and
- All stock option plans have been approved by the unitholders of Pengrowth Energy Trust.

Board Mandate, Structure and Function

The Board of Directors of Pengrowth Corporation has general corporate authority over the business and affairs of Pengrowth Corporation and derives its authority with respect to Pengrowth Energy Trust by virtue of Trust Indenture. The Board of Directors consists of two nominees of Pengrowth Management and four independent directors elected by holders of Pengrowth Energy Trust units.

The Board of Directors responds to recommendations brought forward by Pengrowth Management or by other directors on material acquisitions and dispositions, operational matters and other matters impacting Pengrowth Corporation and Pengrowth Energy Trust unitholders. As a practical matter, Pengrowth Management defers to the Board of Directors in respect of all matters which may have a material impact upon the business and undertaking of Pengrowth Corporation and Pengrowth Energy Trust. In respect of matters such as discussions concerning the Management Agreement or related party transactions, representatives of Pengrowth Management disclose their conflict of interest and absent themselves from discussions and voting.

The Board of Directors represents a cross-section of experience in matters of oil and natural gas, finance and directors' responsibilities. Four of the six current members of the Board of Directors have been directors since the formation of Pengrowth Corporation and Pengrowth Energy Trust. Thomas A. Cumming has been a Director since April 2000 and Michael A. Grandin was elected a Director at the April 23, 2002 Special and Annual Meeting.

Mandate of Pengrowth Management

Pengrowth Management derives its authority from the Management Agreement between Pengrowth Corporation and Pengrowth Energy Trust. Pengrowth Management has broad discretion to administer and regulate the day-to-day operations of Pengrowth Energy Trust and Pengrowth Corporation and initiates acquisition and disposition activity.

Mandate of Computershare as Trustee

Computershare, as Trustee, has broad power over the administration and management of Pengrowth Energy Trust and the power to delegate those duties and responsibilities. This power is governed by the terms of the Trust Indenture between Pengrowth Corporation and Computershare, subject to the voting rights of the unitholders. All unitholders and the holders of all royalty units other than Computershare are entitled to attend at and vote upon all resolutions brought before meetings of the shareholders of Pengrowth Corporation on the basis of one vote for each trust unit held.

Management's Report

Management's Responsibility to the Unitholders

The financial statements are the responsibility of the management of Pengrowth Energy Trust. They have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgements and have been properly reflected in the accompanying financial statements.

Management is also responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of three non-management directors. The Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

KPMG llp, the independent auditors appointed by the unitholders, have audited Pengrowth Energy Trust's consolidated financial statements in accordance with generally accepted auditing standards and provided an independent professional opinion. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and their related findings as to the integrity of the financial reporting process.

James S. Kinnear
Chairman, President and
Chief Executive Officer

Robert B. Hodgins
Chief Financial Officer

March 3, 2003

Auditors' Report

To the Unitholders of Pengrowth Energy Trust

We have audited the consolidated balance sheets of Pengrowth Energy Trust as at December 31, 2002 and 2001 and the consolidated statements of income, trust unitholders' equity and cash flow for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2002 and 2001 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada

March 3, 2003

Consolidated Balance Sheets

(stated in thousands of dollars)

As at December 31	2002	2001
ASSETS		
CURRENT ASSETS		
Cash and term deposits	$ 8,292	$ 3,797
Marketable securities (Note 14)	1,906	–
Accounts receivable	41,426	27,859
Inventory	1,301	2,687
	52,925	34,343
REMEDIATION TRUST FUND (Note 5)	6,679	6,470
PROPERTY, PLANT AND EQUIPMENT AND OTHER ASSETS (Note 7)	1,444,668	1,208,526
	$ 1,504,272	$ 1,249,339
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 43,092	$ 31,359
Distributions payable to unitholders	45,315	22,207
Due to Pengrowth Management Limited (Note 12)	1,086	523
	89,493	54,089
LONG-TERM DEBT (Note 8)	316,501	345,456
FUTURE SITE RESTORATION COSTS	44,339	32,591
TRUST UNITHOLDERS' EQUITY (Note 9)	1,053,939	817,203
COMMITMENTS (Note 15)		
	$ 1,504,272	$ 1,249,339

See accompanying notes to the consolidated financial statements.

Approved on behalf of Pengrowth Energy Trust
by Pengrowth Corporation, as Administrator:

Thomas A. Cumming
Director

Francis G. Vetsch
Director

Consolidated Statements of Income

(stated in thousands of dollars)

Years ended December 31	2002	2001
REVENUES		
Oil and natural gas sales	$ 482,301	$ 469,929
Processing and other income	6,936	7,071
Crown royalties, net of incentives	(73,833)	(65,203)
Freehold royalties and mineral taxes	(6,774)	(6,757)
	408,630	405,040
Interest and other income	274	1,348
NET REVENUE	408,904	406,388
EXPENSES		
Operating	129,802	104,943
Amortization of injectants for miscible floods	44,330	47,448
Interest	15,395	18,806
General and administrative	10,992	7,467
Management fee (Note 12)	6,567	7,120
Capital taxes	483	2,659
Depletion and depreciation	138,874	124,208
Future site restoration	13,355	8,529
	359,798	321,180
INCOME BEFORE THE FOLLOWING	49,106	85,208
ROYALTY INCOME ATTRIBUTABLE TO ROYALTY UNITS OTHER THAN THOSE HELD BY PENGROWTH ENERGY TRUST	39	58
NET INCOME	$ 49,067	$ 85,150
NET INCOME PER UNIT (Note 13) BASIC	$ 0.546	$ 1.201
DILUTED	$ 0.545	$ 1.197

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flow

(stated in thousands of dollars)

Years ended December 31	2002	2001
Cash Provided by (Used For):		
Operating		
Net income	$ 49,067	$ 85,150
Items not involving cash		
Depletion, depreciation and future site restoration	152,229	132,737
Amortization of injectants	44,330	47,448
Purchase of injectants	(15,107)	(56,352)
Expenditures on remediation	(1,607)	(1,223)
Gain on sale of marketable securities	(176)	–
Funds generated from operations	228,736	207,760
Distributions	(171,350)	(241,590)
Changes in non-cash operating working capital (Note 10)	120	(2,919)
	57,506	(36,749)
Financing		
Change in long-term debt	(28,955)	58,080
Proceeds from issue of trust units	382,127	305,875
	353,172	363,955
Investing		
Expenditures on property acquisitions	(391,761)	(280,058)
Expenditures on property, plant and equipment	(55,631)	(74,026)
Proceeds on property dispositions	43,153	23,567
Change in Remediation Trust Fund	(209)	(955)
Purchase of marketable securities	(2,780)	–
Proceeds from sale of marketable securities	1,050	–
Change in non-cash investing working capital (Note 10)	(5)	3,530
	(406,183)	(327,942)
Increase (Decrease) in Cash	4,495	(736)
Cash and Term Deposits at Beginning of Year	3,797	4,533
Cash and Term Deposits at End of Year	$ 8,292	$ 3,797

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Trust Unitholders' Equity

(stated in thousands of dollars)

Years ended December 31	2002	2001
Unitholders' equity at beginning of year	$ 817,203	$ 641,965
Units issued, net of issue costs	382,127	305,875
Net income for year	49,067	85,150
Distributable income	(194,458)	(215,787)
TRUST UNITHOLDERS' EQUITY AT END OF YEAR	$ 1,053,939	$ 817,203

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001
(tabular amounts are stated in thousands of dollars except per unit amounts.)

1. Structure of the Trust

Pengrowth Energy Trust ("EnergyTrust") is a closed-end investment trust created under the laws of the Province of Alberta pursuant to a Trust Indenture dated December 2, 1988 (as amended) between Pengrowth Corporation ("Corporation") and ComputerShare Investor Services Inc. Operations commenced on December 30, 1988. The beneficiaries of EnergyTrust are the holders of trust units (the "unitholders").

EnergyTrust acquires and holds royalty units issued by the Corporation, which entitles EnergyTrust to the net revenue generated by Corporation's petroleum and natural gas properties less certain defined charges. In addition, unitholders are entitled to receive the net cash flows from other investments that are held directly by EnergyTrust. As at December 31, 2002 EnergyTrust owned 99.9 percent of the royalty units issued by the Corporation.

Pengrowth Management Limited (the "Manager") is responsible for the management of the business affairs of the Corporation and the administration of EnergyTrust. At December 31, 2002, the Manager owns 9 percent of the common shares of Corporation, and the Manager is controlled by a director of the Corporation. The remaining 91 percent of the common shares of the Corporation are owned by EnergyTrust.

Under the terms of the Royalty Indenture, the Corporation is entitled to retain a 1 percent share of royalty income and all miscellaneous income (the "Residual Interest") to the extent this amount exceeds the aggregate of debt service charges, general and administrative expenses, and management fees. In 2002 and 2001, the Corporation was not eligible to retain this Residual Interest.

2. Significant Accounting Policies

Basis of Presentation

EnergyTrust's consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada and they include the accounts of EnergyTrust and the accounts of Corporation (collectively referred to as "Pengrowth"). All inter-entity transactions have been eliminated. These financial statements do not contain the accounts of the Manager.

EnergyTrust owns 91 percent of the shares of Corporation and, through the royalty, obtains substantially all the economic benefits of Corporation. In addition, the unitholders of EnergyTrust have the right to elect the majority of the Board of Directors of Corporation.

Joint Interest Operations

A significant proportion of Pengrowth's petroleum and natural gas development and production activities are conducted with others and accordingly the accounts reflect only Pengrowth's proportionate interest in such activities.

Property, Plant and Equipment

Pengrowth follows the full cost method of accounting for oil and gas properties and facilities whereby all costs of acquiring such interests are capitalized and depleted on the unit of production method based on proved reserves before royalties as estimated by independent engineers. Natural gas production and reserves are converted to equivalent units of crude oil using their relative energy content.

General and administrative costs are not capitalized other than to the extent they are directly related to a successful acquisition, or to the extent of Pengrowth's working interest in capital expenditure programs to which overhead fees can be recovered from partners. Overhead fees are not charged on 100 percent owned projects.

Proceeds from disposals of oil and gas properties and equipment are credited against capitalized costs unless the disposal would alter the rate of depletion and depreciation by more than 20 percent, in which case a gain or loss on disposal is recorded.

Pengrowth places a limit on the aggregate carrying value of property, plant and equipment and deferred injectant costs that may be carried forward for depletion against revenues of future periods (the "ceiling test"). The cost of these assets less accumulated depletion and depreciation is limited to an amount equal to the estimated future net revenue from production of proved reserves (based on unescalated prices and costs at the balance sheet date) less estimated future general and administrative costs, financing costs and management fees.

Injectant Costs

Injectants (mostly ethane and methane) are used in miscible flood programs to stimulate incremental oil recovery. The cost of injectants purchased from third parties for miscible flood projects is deferred and amortized over the period of expected future economic benefit which is estimated as 30 months.

Inventory

Inventories of crude oil, natural gas and natural gas liquids are stated at the lower of cost and net realizable value.

Future Site Restoration Costs

Provisions for future site restoration costs are made over the life of the oil and gas properties and facilities using the unit of production method. Costs are based on engineering estimates considering current regulations, costs and industry standards. Pengrowth has placed cash in a segregated remediation trust account to fund certain site restoration costs for the Judy Creek and Swan Hills properties. Contributions to the remediation trust account and remediation expenditures not funded by the trust account are charged against distributable income in the period incurred.

Income Taxes

EnergyTrust is a taxable trust under the Income Tax Act (Canada). No provision has been made for income taxes by EnergyTrust in these financial statements, as income taxes are the responsibility of the individual unitholders and EnergyTrust distributes all of its taxable income to its unitholders. In 2002, EnergyTrust allocated $37.8 million in taxable income or $0.425 per unit to unitholders (2001 – $124.3 million, or $1.795 per unit).

The Corporation follows the tax liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the Corporation's financial statements and their respective tax bases, using enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. In determining its taxable income, the Corporation deducts royalty payments to the unitholders. In 2002, taxable income of the Corporation, after deducting royalty payments to royalty unitholders and other available tax deductions, was nil. If the Corporation ever lacked sufficient deductions to reduce taxable income to nil, the taxes would be deducted from royalty payments to unitholders.

Trust Unit Compensation Plans

Pengrowth has a number of trust unit compensation plans, the accounting policies for which are described in Note 9.

Risk Management

Financial instruments are utilized by Pengrowth to manage its exposure to commodity price fluctuations, foreign currency and interest rate exposures. Pengrowth's policy is not to utilize financial instruments for trading or speculative purposes.

Pengrowth formally documents relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. Pengrowth also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

Pengrowth uses forward, futures and swap contracts to manage its exposure to commodity price fluctuations. The net receipts or payments arising from these contracts are recognized in income as a component of oil and gas sales during the same period as the corresponding hedged position.

Foreign exchange translation gains and losses on foreign currency exchange swaps used to hedge U.S. dollar denominated natural gas sales are recognized in income as a component of natural gas sales during the same period as the corresponding hedged position.

Interest rate swap agreements are used as part of Pengrowth's program to manage the fixed and floating interest rate mix of Pengrowth's total debt portfolio and related overall cost of borrowing. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based, and are recorded as an adjustment of interest expense on the hedged debt instrument.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period then ended.

The amounts recorded for depletion, depreciation and amortization of injectants and the provision for abandonment costs are based on estimates. The ceiling test calculation is based on estimates of proved reserves, production rates, oil and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and may impact the consolidated financial statements of future periods.

Earnings per Unit

In calculating diluted net income per unit, Pengrowth follows the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only "in the money" dilutive instruments impact the diluted calculations.

Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

3. Change in Accounting Policy

Effective January 1, 2002, Pengrowth adopted the new standard on accounting for options or similar unit based compensation. Pengrowth prospectively adopted the new standard. For options or similar instruments granted to non-employees, an amount equal to the grant date fair value of the instrument will be recorded as a charge to earnings over the vesting period, if any. The new standard also requires recognition of compensation cost with respect to Stock Appreciation Rights granted to employees. No compensation cost results from application of the above provisions for the year ended December 31, 2002.

For options or similar unit based compensation granted to employees of Pengrowth, the standard provides that Pengrowth may elect not to use the fair value method but to disclose the impact of the fair value method on a pro forma basis as discussed in Note 9.

4. Distributable Income

		2002	2001
Net income		$ 49,067	$ 85,150
Add (Deduct):	Depletion, depreciation and future site restoration	152,229	132,737
	Remediation expenses and trust fund contributions	(1,816)	(2,117)
	Cash withheld to fund capital expenditures	(5,022)	–
	Other	–	17
Distributable income		$ 194,458	$ 215,787
Distributable income per unit:			
	Based on weighted-average units outstanding	$ 2.162	$ 3.043
	Based on actual distributions paid or declared	$ 2.070	$ 3.010

Pursuant to a Unitholder resolution on April 23, 2002, the Board of Directors of Pengrowth Corporation may elect to retain up to 20 percent of gross revenues to provide for the payment of future capital expenditures or for the payment of future distributions. Commencing with the January 15, 2003 distribution to unitholders, approximately 10 percent of funds available for distribution have been withheld. Subject to the limit of 20 percent of gross revenues approved by unitholders, the Board of Directors may elect to increase (or decrease) the amount withheld in the future.

5. Remediation Trust Fund

Pursuant to a Purchase and Sale Agreement dated August 15, 1997 between Pengrowth and Imperial Oil Resources ("Imperial"), a trust was established to fund certain remediation obligations of the Judy Creek and Swan Hills properties. ComputerShare Investor Services Inc. is the trustee for the Remediation Trust Fund. Pengrowth is required to make annual contributions of $250,000 to the Remediation Trust Fund. In addition, Pengrowth makes a monthly trust fund contribution equivalent to $0.10 per boe of production from the Judy Creek properties.

Every five years Pengrowth must deliver a report to Imperial evaluating the assets in the Trust Fund and the outstanding remediation obligations, and make recommendations as to whether contribution levels should be changed. Pengrowth is currently in discussions with Imperial in respect of required contributions for 2003 and future periods. If Imperial does not consent to recommended changes in the contribution level, the matter may be arbitrated.

The following summarizes Pengrowth's Remediation Trust Fund contributions for 2002 and 2001 and Pengrowth's expenditures on remediation activities not covered by the trust fund:

	2002	2001
Contributions to Remediation Trust Fund	$ 893	$ 1,002
Remediation expenditures not covered by the Trust Fund	923	1,115
	$ 1,816	$ 2,117

6. Acquisitions

In October 2002, Pengrowth acquired substantially all of the crude oil and natural gas assets held by Calpine Canada Natural Gas Partnership ("Calpine") in northern British Columbia for $377.4 million, net of adjustments, with the consideration consisting of cash and the tendering of debt securities of Calpine Corporation and its subsidiaries purchased by Pengrowth on the open market. Also in October 2002, Pengrowth sold to Progress Energy Ltd. for consideration of $25.4 million certain crude oil and natural gas assets acquired from Calpine. The acquisition has been accounted for by the purchase method with the results of operations of the acquired assets included in the financial statements from the date of acquisition.

In June 2001, Pengrowth acquired an 8.4 percent royalty interest in Sable Offshore Energy Project ("SOEP") for cash consideration of $252.0 million and forgiveness of a note payable of $4.2 million. The acquisition has been accounted for by the purchase method with the results of operations of the acquired assets included in the financial statements from the date of acquisition.

The following unaudited pro forma information provides an indication of what Pengrowth's results of operations would have been had the acquisitions taken place on January 1.

	2002 (a) Unaudited	2001 (b) Unaudited
Oil and gas sales	$ 603,683	$ 717,542
Net income	$ 79,584	$ 188,839
Net income per unit:		
Basic	$ 0.744	$ 1.976
Diluted	$ 0.743	$ 1.972

(a) assumes Calpine acquisition took place on January 1, 2002.
(b) assumes Calpine and SOEP acquisitions took place on January 1, 2001.

7. Property, Plant and Equipment and Other Assets

	2002	2001
PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment, at cost	$ 1,987,341	$ 1,583,102
Accumulated depletion and depreciation	(576,473)	(437,599)
Net book value of property, plant and equipment	1,410,868	1,145,503
OTHER ASSETS		
Deferred injectant costs	33,800	63,023
Net book value of property, plant and equipment and other assets	$ 1,444,668	$ 1,208,526

As at December 31, 2002, Pengrowth had a surplus in its ceiling test using year-end prices.

Total estimated undiscounted future site restoration costs are approximately $225 million of which $44 million has been accrued to date.

8. Long-Term Debt

The Corporation has a $540 million revolving credit facility syndicated among nine financial institutions with an extendible 364-day revolving period and a three-year amortization term period. In addition, it has a $35 million demand operating line of credit. These facilities are currently reduced by outstanding letters of credit in the amount of approximately $33 million. For 2004, the facilities will be reduced by a further $25 million of letters of credit. Interest payable on amounts drawn is at the prevailing bankers' acceptance rates plus stamping fees, lenders' prime lending rates, or U.S. libor rates plus applicable margins, depending on the form of borrowing by the Corporation. The margins and stamping fees vary from 0.25 percent to 1.50 percent depending on financial statement ratios and the form of borrowing. Interest expense for the year ended December 31, 2002 includes $15,400,161 in cash interest payments (2001 – $23,630,851).

The credit facility will revolve until June 22, 2003, whereupon it may be renewed for a further 364 days, subject to satisfactory review by the lenders, or converted into a term facility with amounts outstanding under the facility repayable in 12 equal quarterly instalments. The Corporation can post, at its option, security suitable to the banks in lieu of the first year's payments.

9. Trust Units

The authorized capital of Pengrowth is 500,000,000 trust units.

Trust Units Issued	2002 Number of units	2002 Amount	2001 Number of units	2001 Amount
Balance, beginning of year	82,240,069	$ 1,280,599	63,852,198	$ 974,724
Issued for cash	28,125,000	404,350	17,622,500	311,974
Less: issue expenses	–	(24,989)	–	(18,727)
Issued for cash on exercise of stock options	66,093	871	628,828	10,060
Issued for cash under Distribution Reinvestment Plan ("DRIP")	131,165	1,895	136,543	2,568
Balance, end of year	110,562,327	$ 1,662,726	82,240,069	$ 1,280,599

Pursuant to the terms of the Royalty Indenture and the Trust Indenture, there is attached to each royalty unit granted by the Corporation the right to exchange such royalty unit for an equivalent number of trust units. ComputerShare, as Trustee, has reserved 18,940 trust units for such future conversion.

Distribution Reinvestment Plan

The Distribution Reinvestment Plan ("DRIP") entitles unitholders to reinvest cash distributions in additional units of EnergyTrust. During 2002, the trust units under the plan were acquired in the open market at prevailing market prices or issued from treasury at the weighted-average price of all EnergyTrust units traded on the Toronto Stock Exchange for the 20 trading days preceding a distribution payment date.

The DRIP was amended effective January 2003. The trust units under the amended plan will normally be issued from treasury at a 5 percent discount to the weighted-average price of all EnergyTrust units traded on the Toronto Stock Exchange and the New York Stock Exchange for the 20 trading days preceding a distribution payment date.

Trust Unit Option Plan

Pengrowth has a trust unit option plan under which directors, officers, employees and special consultants of the Corporation and the Manager are eligible to receive options. Amendments to the trust unit option plan were approved by trust unitholders at the annual meeting of Pengrowth unitholders on April 23, 2002. The maximum number of units which may be reserved for issuance under the Trust Unit Option Plan or the Rights Incentive Plan has been increased from 7 million to 10 million, provided that the number of options and rights granted does not exceed 10 percent of issued and outstanding trust units. The expiry date for all issued and unexercised options, and any options subsequently granted under the plan, has increased from five to seven years. One third of the options vest on the grant date, one third on the first anniversary of the date of grant, and the remaining third on the second anniversary. As at December 31, 2002, options to purchase 4,451,131 trust units were outstanding (2001 – 3,106,635) that expire at various dates to June 28, 2009.

TRUST UNIT OPTIONS	2002		2001	
	Number of options	Weighted-Average Exercise Price	Number of options	Weighted-Average Exercise Price
Outstanding at beginning of year	3,106,635	$ 17.78	2,893,554	$ 17.45
Granted	1,895,603	15.14	905,979	17.66
Exercised	(66,093)	13.17	(628,828)	16.00
Cancelled	(485,014)	17.23	(64,070)	18.98
Outstanding at year-end	4,451,131	$ 16.78	3,106,635	$ 17.78
Exercisable at year-end	3,715,271	$ 17.04	2,238,406	$ 17.69

The following table summarizes information about trust unit options outstanding at December 31, 2002:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding At 12/31/02	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable At 12/31/02	Weighted-Average Exercise Price
$12.00 to $14.99	747,759	5.5 years	$ 13.05	524,888	$ 12.96
$15.00 to $16.99	907,947	5.1	15.12	666,542	15.16
$17.00 to $17.99	1,673,102	3.6	17.49	1,419,068	17.49
$18.00 to $20.50	1,122,323	3.8	19.55	1,104,773	19.54
$12.00 to $20.50	4,451,131	4.2	$ 16.78	3,715,271	$ 17.04

Employee Trust Unit Rights Incentive Plan

On April 23, 2002, a special resolution was passed to approve the adoption of an Employee Trust Unit Rights Incentive Plan ("Rights Incentive Plan"), pursuant to which rights to acquire Pengrowth trust units may be granted to the directors, officers, employees, and special consultants of the Corporation and the Manager. Under the Rights Incentive Plan, distributions per trust unit to trust unitholders in a calendar quarter which represent a return of more than 2.5 percent of the net property, plant and equipment at the end of such calendar quarter result in a reduction in the exercise price. One third of the rights granted under the Rights Incentive Plan vest on the grant date, one third on the first anniversary date of the grant and the remaining on the second anniversary. The rights have an expiry date of five years from the date of grant.

In 2002, a total of 1,964,100 rights were granted at a weighted-average initial exercise price of $13.61. Of the rights granted, 654,700 rights have vested. None of the rights were exercised or cancelled during 2002. The rights expire at various dates to November 7, 2007. As at December 31, 2002, the weighted-average exercise price of the rights is $13.29.

Fair Value of Unit Based Compensation

Had compensation cost for options and rights granted to employees been calculated based on the fair value method, net income would be reduced as follows:

Net income as reported	$	49,067
Compensation cost related to options granted in 2002		(899)
Compensation cost related to rights granted in 2002		(1,224)
Pro forma net income	$	46,944
Pro forma net income per unit:		
Basic	$	0.522
Diluted	$	0.522

The weighted-average fair market value of options granted during the year ended December 31, 2002 was $0.73 per option using the Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate of 4.4 percent, dividend yield of 13 percent, expected volatility of 27 percent, and expected life of five years.

The exercise price of the rights granted under the Rights Incentive Plan may be reduced in future periods in accordance with the terms of the rights plan. The amount of the reduction cannot be reasonably determined as it is dependent upon a number of factors including, but not limited to, future production of crude oil and natural gas, future prices received on the sale of crude oil and natural gas, determination of the amounts to be withheld from future distributions to fund capital expenditures and the purchase and sale of property, plant and equipment. As it is not possible to determine the fair value of rights granted under the plan, compensation cost for pro forma disclosure has been determined based on the excess of the unit price over the exercise price at the date of the financial statements.

Share Appreciation Rights

On October 15, 2002, all of the 426,000 Share Appreciation Rights ("SARs") held by an officer of Pengrowth were converted into an equal number of options under the Trust Unit Option Plan. These options have a weighted-average exercise price of $18.39, are fully vested and have expiry dates ranging from October 15 to December 1, 2004.

The SARs granted the right to receive a Payment Amount equal to any increase in the market price of the 426,000 trust units above the exercise price. Pengrowth, at its option, could have satisfied this Payment Amount with either a cash payment or the issue of trust units from treasury based on market prices at the time of exercise. The new standard for stock based compensation required the recognition of compensation expense equal to the amount of the excess of the market price above the exercise price for SARs. No compensation cost was recognized for the year ended December 31, 2002.

Trust Unit Savings Plan

Pengrowth has a trust unit savings plan whereby qualifying employees may contribute from 1 to 10 percent of their basic annual salary. Employee contributions are invested in trust units purchased on the open market. Pengrowth matches the employees' contribution, investing in additional trust units purchased on the open market. Pengrowth's share of contributions is recorded as compensation expense and amounted to $844,213 in 2002 (2001 – $729,730).

Trust Unit Margin Purchase Plan

Pengrowth has a plan whereby the Manager, and employees, directors, and certain consultants of Corporation can purchase trust units and finance up to 75 percent of the purchase price through an investment dealer, subject to certain participation limits and restrictions. Participants maintain personal margin accounts with the investment dealer and are responsible for all interest costs and obligations with respect to their margin loans. The Corporation has provided a $5 million letter of credit to the investment dealer to guarantee amounts owing with respect to the plan. The amount of the letter of credit may fluctuate depending on the amounts financed pursuant to the plan. At December 31, 2002, 2,529,698 trust units were deposited under the plan (2001 – 2,446,896) with a market value of $37.3 million (2001 – $34.8 million) and a corresponding margin loan of $11.3 million (2001 – $13.9 million).

Redemption Rights

Trust units are redeemable at the request of a unitholder. The redemption right permits unitholders in the aggregate to redeem a maximum of $25,000 of trust units in a month.

10. Change in Non-cash Operating Working Capital

	2002	2001
Accounts receivable	$ (13,567)	$ 5,244
Inventory	1,386	5,822
Accounts payable and accrued liabilities	11,738	(12,567)
Due to Pengrowth Management Limited	563	(1,418)
	$ 120	$ (2,919)

Change in Non-cash Investing Working Capital

	2002	2001
Accounts payable for capital accruals	$ (5)	$ 3,530

11. Income Taxes

In 2002, the cost basis for income tax purposes of property, plant and equipment exceeded the net book value by approximately $149 million (2001 – $153 million) principally as a result of the acquisition of oil and natural gas properties during prior years. A future tax asset of $66 million (2001 – $69 million) has been reduced to nil through a valuation allowance of $66 million (2001 – $69 million).

In 2002, the Corporation made cash payments of $1,840,000 in respect of capital taxes (2001 – $2,702,000).

12. Related Party Transactions

Pengrowth Management Limited provides certain services pursuant to a management agreement for which Pengrowth was charged $2,474,110 (2001 – $2,235,224) for acquisition fees and $6,567,055 (2001 – $7,120,419) for a management fee. The law firm controlled by the corporate secretary and a corporate finance firm controlled by a member of the immediate family of the corporate secretary charged $698,748 (2001 – $1,661,100) for legal and advisory services provided to Pengrowth by the corporate secretary.

13. Amounts per Unit

The per unit amounts for net income and distributable income are based on weighted-average units outstanding for the year. The weighted-average units outstanding for 2002 were 89,922,886 units (2001 – 70,910,746 units). In computing diluted net income per unit, 69,398 units were added to the weighted-average number of units outstanding during the year ended December 31, 2002 (2001 – 205,453) for the dilutive effect of stock options and rights under the new Rights Incentive Plan. The per unit amount of distributions paid or declared reflect actual distributions paid or declared based on units outstanding at the time.

Distributions are declared payable during the month following the month in which the distributions were earned. Distributions are paid to unitholders on the 15th day of the second month after the distributions are earned. As at December 31, 2002, there was a balance of $1,063,013 or $0.010 per unit that had been earned but had not yet been paid or declared (2001 – $823,334 or $0.010 per unit).

14. Financial Instruments

Interest Rate Risk

Interest rate swap agreements are used as part of Pengrowth's program to manage the fixed and floating interest rate mix of Pengrowth's total debt portfolio and related overall cost of borrowing. As at December 31, 2002, Pengrowth had entered into interest rate swaps on $125 million of its long-term debt for periods of three years ending November 30, 2004 ($75 million), December 31, 2004 ($25 million) and March 4, 2005 ($25 million) at an average interest rate of 4.09 percent (before stamping fees).

The estimated fair value of the interest rate swaps has been determined based on the amount that Pengrowth would receive or pay to terminate the contracts at year-end. At December 31, 2002, the amount that Pengrowth would pay to terminate the interest rate swaps is $2,116,000.

Foreign Currency Exchange Risk

Pengrowth is exposed to foreign currency fluctuations as crude oil and natural gas prices received are referenced to U.S. dollar denominated prices. Pengrowth has mitigated some of this exchange risk by entering into fixed Canadian dollar crude oil and natural gas price swaps as outlined in the forward and futures contracts section below.

Pengrowth entered into a foreign exchange swap which fixed the Canadian to U.S. dollar exchange rate at Cdn$1.55 per U.S.$1 on U.S.$750,000 per month effective 2003 and 2004. This swap has mitigated a portion of the exchange risk on U.S. dollar denominated natural gas sales. The estimated fair value of the foreign exchange swap has been determined based on the amount Pengrowth would receive or pay to terminate the contract at year-end. At December 31, 2002, the amount Pengrowth would pay to terminate the foreign exchange swap would be Cdn$885,000.

Credit Risk

Pengrowth sells a significant portion of its oil and gas to commodity marketers, and the accounts receivable are subject to normal industry credit risks. The use of financial swap agreements involves a degree of credit risk that Pengrowth manages through its credit policies which are designed to limit eligible counterparties to those with "A" credit ratings or better.

Forward and Futures Contracts

Pengrowth has a price risk management program whereby the commodity price associated with a portion of its future production is fixed. Pengrowth sells forward a portion of its future production through a combination of fixed price sales contracts with customers and commodity swap agreements with financial counterparties. The forward and futures contracts are subject to market risk from fluctuating commodity prices and exchange rates. However, gains or losses on the contracts are offset by changes in the value of Pengrowth's production.

As at December 31, 2002, Pengrowth had fixed the price applicable to future production as follows:

Financial Swap Contracts

	Crude Oil		Natural Gas	
	Volume (bbl/d)	Price (Cdn$/bbl)	Volume (mmbtu/d)	Fixed Price
2003	10,000	$ 41.00	7,000	U.S.$3.90/mmbtu
			9,788	Cdn$7.62/mmbtu
2004	6,500	$ 37.83	7,000	U.S.$3.90/mmbtu
			5,000	Cdn$6.90/mmbtu

As well, Pengrowth had natural gas fixed price sales contracts which fixed the price on 11,848 mcf per day for 2003 at a price of Cdn$5.96 per mcf.

The estimated fair value of all crude oil and natural gas contracts have been determined based on the amounts Pengrowth would receive or pay to terminate the contracts at year-end. At December 31, 2002, the amount Pengrowth would pay if the crude oil and natural gas contracts were terminated would be $5,697,000 and $14,920,000, respectively.

Fair Value of Financial Instruments

The carrying value of financial instruments included in the balance sheet, other than bank debt, remediation trust fund and marketable securities, approximates their fair value due to their short maturity. The fair value of the marketable securities at December 31, 2002 was $2,177,000. The fair value of the Remediation Trust Fund was $7,193,000 (2001 – $6,473,000).

15. Commitments

Pengrowth has future commitments under various agreements for the purchase of oil and natural gas pipeline transportation, carbon dioxide and operating leases. The commitment to purchase carbon dioxide arises as a result of Pengrowth's working interest in the Weyburn CO_2 project.

	2003	2004	2005	2006	2007	Thereafter	Total
Pipeline transportation	$30,709	$29,719	$28,411	$27,509	$24,619	$ 48,981	$189,948
CO_2 purchases	2,839	6,104	7,314	6,409	5,327	38,655	66,648
Other commitments	1,104	905	845	400	46	–	3,300
	$34,652	$36,728	$36,570	$34,318	$29,992	$ 87,636	$259,896

16. Reconciliation of Financial Statements to United States Generally Accepted Accounting Principles

The significant differences between Canadian generally accepted accounting principles ("Canadian GAAP") which, in most respects, conform to generally accepted accounting principles in the United States ("U.S. GAAP"), as they apply to Pengrowth, are as follows:

(a) As required annually under U.S. GAAP, the carrying value of petroleum and natural gas properties and related facilities, net of future or deferred income taxes, is limited to the present value of after tax future net revenue from proven reserves, discounted at 10 percent (based on prices and costs at the balance sheet date), plus the lower of cost and fair value of unproven properties. Under Canadian GAAP, this "ceiling test" is calculated without application of a discount factor. At December 31, 1998 and 1997, the application of the full cost ceiling test under U.S. GAAP resulted in a write-down of capitalized costs of $328.6 million and $49.8 million, respectively. At December 31, 2002 and 2001, the application of the full cost ceiling test under U.S. GAAP did not result in a write-down of capitalized costs.

Where the amount of a ceiling test write-down under Canadian GAAP differs from the amount of the write-down under U.S. GAAP, the charge for depletion, depreciation, and amortization will differ in subsequent years.

(b) Under U.S. GAAP, the provision for abandonment costs is recorded as a reduction of capital assets.

(c) Under U.S. GAAP, interest and other income would not be included as a component of net revenue.

(d) Effective January 1, 2002, Pengrowth adopted the new standard for accounting for stock-based compensation. The standards under Canadian GAAP are consistent with those required under SFAS 123 ("Accounting for Stock-Based Compensation"). As permitted, Pengrowth has elected to continue to follow the intrinsic value method of accounting for stock-based compensation arrangements and to disclose the impact of the fair value method on a pro forma basis. Retroactive application was not required for options granted prior to the date of adoption under Canadian standards. Therefore the pro forma effect of options granted prior to the date of adoption will continue to be a difference under U.S. GAAP until the compensation cost related to those options has been fully recognized. Had compensation cost for Pengrowth's stock options been determined based on the fair market value at the grant dates of the awards consistent with methodology prescribed by SFAS 123, "Accounting for Stock-Based Compensation", Pengrowth's net income and net income per unit for years ended December 31, 2002 and 2001 would have been the pro forma amounts indicated below:

Years ended December 31,	2002	2001
Net income:		
As reported	$ 73,246	$ 110,748
Pro forma	72,356	110,457
Net income per unit:		
As reported	$ 0.81	$ 1.56
Pro forma	0.80	1.56

The weighted-average fair market value of options granted in 2002 and 2001 was $0.73 and $0.50 per option respectively. The fair value of each option granted was estimated on the date of grant using the Modified Black-Scholes option-pricing model with the following assumptions for 2002 and 2001 respectively: risk-free interest rate of 4.4 and 4 percent, dividend yield of 13.0 and 14.0 percent, volatility of 27 percent in both years, and expected life of five years in both years.

Under U.S. GAAP, recognition of compensation cost over the vesting period is required for variable priced stock-based compensation plans such as the Rights Incentive Plan. Compensation cost is based on the excess of the unit price over the exercise price at the date of the financial statements. Application of this provision results in a compensation cost of $1,224,000 for the year ended December 31, 2002.

APB 25 also requires recognition of compensation cost with respect to Stock Appreciation Rights granted to employees. No compensation cost results from application of the above provisions for the years ended December 31, 2002 and 2001. Effective October 15, 2002, all outstanding Stock Appreciation Rights were converted to an equal number of options under the Trust Unit Option Plan.

(e) Marketable securities held by Pengrowth are classified as available-for-sale in accordance with definitions of SFAS 115. Under provisions of this Statement, available-for-sale securities are reported at the fair value, with unrealized holding gains and losses included in comprehensive income and reported as a separate component of unitholders' equity until realized.

(f) SFAS 130 requires the reporting of comprehensive income in addition to net earnings. Comprehensive income includes net income plus other comprehensive income; specifically, all changes in equity of a company during a period arising from non-owner sources.

(g) Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), is effective for all fiscal years beginning after June 15, 2000. Pengrowth has implemented the standards set out in SFAS 133 for the fiscal year commencing January 1, 2001, with no restatement of prior periods. SFAS 133 establishes new accounting and reporting standards for derivative instruments and for hedging activities. This statement requires an entity to establish, at the inception of a hedge, the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to managing risk.

On initial adoption of SFAS No. 133 on January 1, 2001, additional liabilities of $2.1 million were recorded for U.S. GAAP purposes to reflect the fair value of derivatives designated as cash flow hedges. A charge of $2.1 million relating to the fair value of these hedges was recognized in other comprehensive income as the cumulative effect of the initial adoption of SFAS No. 133.

At December 31, 2002, $17,824,000 has been recorded as a liability in respect of the fair value of crude oil and natural gas hedges outstanding at year-end with a corresponding decrease in accumulated other comprehensive income. Of the liability, $12,666,000 has been classified as current and $5,158,000 has been classified as long-term. At December 31, 2001, $2,522,000 has been recorded as an asset in respect of fair value of crude oil and natural gas hedges outstanding at year-end with a corresponding increase in accumulated other comprehensive income. These amounts will be amortized against crude oil and natural gas sales over the remaining terms of the related hedges.

Also at December 31, 2002, a liability of $2,116,000 has been recorded in respect of the fair value of interest rate swaps outstanding at year-end with a corresponding decrease in accumulated other comprehensive income. Of this liability, $1,445,000 has been classified as current and $671,000 has been classified as long-term. At December 31, 2001, a liability of $328,000 has been recorded in respect of the fair value of interest rate swaps outstanding at year-end with a corresponding decrease in accumulated other comprehensive income.

At December 31, 2002, a liability of $885,000 has been recorded in respect of the fair value of a foreign exchange swap outstanding at year-end with a corresponding decrease in accumulated other comprehensive income. Of this liability, $351,000 has been classified as current and $534,000 has been classified as long-term. There were no foreign exchange swaps outstanding as at December 31, 2001.

At December 31, 2002, $960,000 has been recorded as a current liability with respect to the ineffective portion of crude oil and natural gas hedges outstanding at year-end, with a corresponding decrease to net income for the year ended December 31, 2002.

Consolidated Statements of Income

The application of U.S. GAAP would have the following effect on net earnings as reported:

Stated in thousands of Canadian Dollars, except per unit amounts

Years ended December 31,	2002	2001
Net income for the year, as reported	$ 49,067	$ 85,150
Adjustments:		
Depletion and depreciation (a)	26,363	25,598
Compensation cost (d)	(1,224)	–
Unrealized loss on ineffective portion of oil and natural gas hedges (g)	(960)	–
Net income for the year – U.S. GAAP	$ 73,246	$ 110,748
Other comprehensive income:		
Unrealized gain on available-for-sale securities (e)(f)	271	–
Cumulative effect of the initial adoption of SFAS No. 133 (f)(g)	–	(2,128)
Unrealized hedging gains (f)(g)	–	4,650
Unrealized hedging losses (f)(g)	(23,019)	(328)
Comprehensive income – U.S. GAAP	$ 50,498	$ 112,942
Net income per unit – U.S. GAAP:		
Basic	$ 0.81	$ 1.56
Diluted	$ 0.81	$ 1.56

Consolidated Balance Sheets

The application of U.S. GAAP would have the following effect on the Balance Sheets as reported:

Stated in thousands of Canadian Dollars

December 31, 2002	As Reported	Increase (Decrease)	U.S. GAAP
Assets:			
Marketable securities (e)	$ 1,906	$ 271	$ 2,177
Capital assets (a)(b)	1,444,668	(314,280)	1,130,388
		$ (314,009)	
Liabilities:			
Accounts payable and accrued liabilities (d)(g)	$ 43,092	$ 960	$ 44,052
Current portion of unrealized hedging loss (g)	–	14,462	14,462
Long-term portion of unrealized hedging loss (g)	–	6,363	6,363
Provision for abandonment costs (b)	44,339	(44,339)	–
Unitholders' equity:			
Other comprehensive income (f)(g)	–	(20,554)	(20,554)
Trust Unitholders' Equity (a)	1,053,939	(270,901)	783,038
		$ (314,009)	

December 31, 2001	As Reported	Increase (Decrease)	U.S. GAAP
Assets:			
Capital assets (a)(b)	$ 1,208,526	$ (328,895)	$ 879,631
Unrealized hedging gain (g)	–	2,522	2,522
		$ (326,373)	
Liabilities:			
Provision for abandonment costs (b)	$ 32,591	$ (32,591)	$ –
Unrealized hedging loss (g)	–	328	328
Unitholders' equity:			
Other comprehensive income (f)(g)	–	2,194	2,194
Trust Unitholders' Equity (a)	817,203	(296,304)	520,899
		$ (326,373)	

Additional Disclosures Required under U.S. GAAP

The components of accounts receivable are as follows:

December 31	2002	2001
Trade	$ 35,148	$ 20,292
Prepaids	5,084	3,968
Other	1,194	3,599
	$ 41,426	$ 27,859

The components of accounts payable and accrued liabilities are as follows:

December 31	2002	2001
Accounts payable	$ 29,806	$ 19,566
Accrued liabilities	13,286	11,793
	$ 43,092	$ 31,359

Five Year Review

Pengrowth Energy Trust
Consolidated Financial Results

Stated in thousands of dollars except per unit amounts and percentage calculations.

Years ended December 31	2002	2001	2000	1999	1998
FINANCIAL					
Gross oil and natural gas revenue	$ 482,301	469,929	416,228	252,408	168,782
Crown royalties, net of incentives	$ 73,833	65,203	69,594	27,671	16,905
Freehold royalties and mineral taxes	$ 6,774	6,757	6,994	4,215	3,032
Operating costs	$ 129,802	104,943	65,195	57,642	56,505
Amortized injectant costs	$ 44,330	47,448	32,463	13,964	5,330
General and administrative costs	$ 10,992	7,467	7,081	5,972	5,446
Management fee	$ 6,567	7,120	6,873	4,490	2,891
Interest expense	$ 15,395	18,806	17,354	10,882	15,997
Capital taxes	$ 483	2,659	1,830	1,190	927
Depletion, depreciation and future site restoration	$ 152,229	132,737	96,865	80,981	75,174
Net income	$ 49,067	85,150	123,215	50,223	(767)
Per unit	$ 0.55	1.20	2.21	0.98	(0.02)
Distributable income	$ 194,458	215,787	218,340	128,172	72,117
Per unit	$ 2.07	3.01	3.79	2.49	1.53
Total assets	$ 1,504,272	1,249,339	1,090,483	857,914	765,162
Per unit	$ 13.61	15.19	17.08	15.99	16.15
Long-term debt	$ 316,501	345,456	286,823	230,333	157,662
Per unit	$ 2.86	4.20	4.49	4.29	3.33
Unitholders' equity	$ 1,053,939	817,203	641,965	558,590	560,525
Per unit	$ 9.53	9.94	10.05	10.41	11.83
Net asset value*	$ 1,113,550	799,327	819,298	615,340	502,538
Per unit	$ 10.08	9.72	12.83	11.47	10.61
Return on average equity	5.2%	11.7%	20.5%	9.0%	(0.1%)
Cash flow return on average equity	20.8%	29.6%	36.4%	22.9%	12.1%
Average cost of debt capital	4.6%	5.2%	6.8%	6.2%	5.7%

* Based on Established (proved plus 50 percent of probable) reserves discounted at 12 percent before income taxes.

Pengrowth Energy Trust Operating Results

Natural gas has been converted to equivalent barrels of oil at 6:1 unless otherwise stated.

Years ended December 31	2002	2001	2000	1999	1998
Daily production					
Oil (bbls)	19,914	19,726	17,599	17,570	16,695
Natural gas (mcf)	111,713	91,764	70,098	61,494	57,707
Natural gas liquids (bbls)	5,252	5,258	4,205	3,927	3,342
Oil equivalent (boe)	43,785	40,320	33,581	31,821	29,741
Total annual production (mboe)	15,982	14,717	12,291	11,615	10,856
Average sales price					
Oil (per bbl)	$ 38.06	37.26	40.37	26.73	19.65
Natural gas (per mcf)	$ 3.85	4.48	4.34	2.48	1.78
Natural gas liquids (per bbl)	$ 28.11	30.68	33.56	18.08	11.71
Oil equivalent (per boe)	$ 30.18	31.93	33.87	21.73	15.55
Property acquisitions ($ millions)	$ 389.3	277.1	179.6	141.8	6.4
Capital expenditures ($ millions)	$ 55.6	74.0	59.8	17.7	34.9
Reserves (established)					
Reserves acquired in the year (mmboe)	37.7	48.4	21.5	26.7	0.7
Reserves at year-end (mmboe)	214.8	210.5	183.0	176.6	160.3
Acquisition cost per boe	$ 10.33	5.72	8.34	5.31	6.02
Stock Market Data (thousands except per unit amounts)					
Trading volume	51,110	41,249	21,494	14,457	12,079
Trading value	$ 753,684	734,382	394,244	204,125	164,628
Market capitalization:					
Units outstanding	110,562	82,240	63,852	53,639	47,369
Year-end unit price	$ 14.73	14.22	19.20	15.50	11.00
Total capitalization	$ 1,628,583	1,169,454	1,225,962	831,410	521,056
Trust unit price:					
High	$ 17.00	21.95	20.35	16.75	18.45
Low	$ 13.01	12.80	15.00	10.50	10.00
Close	$ 14.73	14.22	19.20	15.50	11.00
Cash on cash return:					
Yearly high price	12.2%	13.7%	18.6%	14.8%	8.3%
Yearly low price	15.9%	23.5%	25.2%	23.7%	15.3%

Pengrowth Team

The Pengrowth team has grown from a small handful of individuals in 1988 to over 200 strong in 2002. The head office employees, photographed above, and our field staff in Alberta and British Columbia, are innovative and dedicated to enhancing unitholder value year after year.

Pengrowth Team

CALGARY

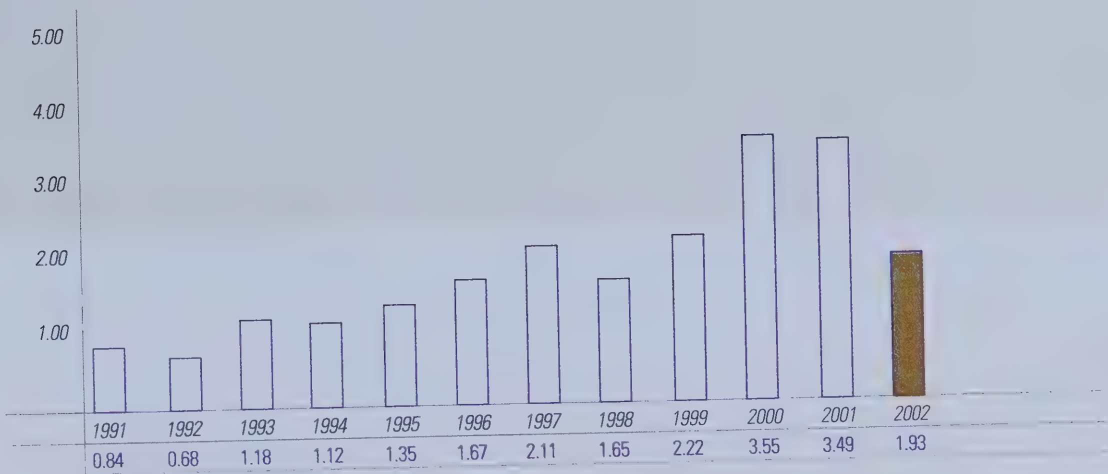
Gordon Anderson
Ross Andrews
Sandra Angus
Gail Anson
Art Bader
Richard Bader
Richard Ballantine
Dan Belot
Norm Beunder
Bob Biedler
Lianne Bigham
Micheline Bird
Shane Bradley
Heather Brisson
Eyon Butterworth
Jim Chan
Peter Checknita
Erik Chico
Allen Connick
Glori Cowan
Amanda Crozier
Heather Dean
Linda Dickenson
Chris Dutchak
Larry Dziuba
Dan Edwards
James Ekkel
Sally Elliott
Kathy Fidyk
Greg Fletcher
Terry Fong
Rob Garrison
Dawna Gibb
Dean Godberson
Rebecca Greenan
Brenda Gregoire
Julie Gregson
Kendra Griffiths
John Halbauer
Jim Ham
Jeannine Hannah
Leslie Harris
Kathy Heibert
Shanda Hoar
Bob Hodgins
Stephen Hu
John Hulecki
Paul Jackson
Verneal Jackson-Millice
Tania Kaschl
Tom Kelly
Faryal Khawaja
David Kinnear
James Kinnear
Lynn Kis
Tracy Knibbs
Sheldon Kropiniski
Kirsten Kulyk
Dick Lane
Kate Langejans
Karen Laustsen
Renee Lee
Alan Lyon
Jim MacDonald
Bruce Malcolm
Glenn Malcolm
Leslie McCawley
Carol McDonald
John McInnes
Henry McKinnon
Virginia McRory
Cyndy Mercier
Heather Mitchell
Bill Montgomery
Rob Moriyama
Leah Mullenix
Emily Nickle
Wendy Noonan
Tracey Parsons
Lise Pitt
Terry Pocza
Barrie Quamme
Clay Radu
Rhonda Rankin
Martin Saizew
Jacki Sampson
Norman Schultheis
Ken Segouin
Charles Selby
Tyler Simms
Connie Skimmings
Karen Spencer
Jamie Taszlikowicz
Lisa Telang
Evelyn Thorburn
Nikki Tuveson
Myra Valencerina
Neil Walliser
Chris Webster
Carol Weis
Theressa Wong
Annette Woolmer
Graham Wright
Sue-Ann Yu

FIELD OPERATIONS

Robert Azim
Dale Babiak
Norman Bachand
Dane Baker
Jen Barton
Garry Beamish
David Beeson
Calvin Bell
Moray Berglund
Keith Black
J. Dave Bradley
Warren Bready
Rick Brown
Rodney Carew
C. Duane Carlson
Justin Childs
Robert Collins
Nigel Cook
Kevin Cote
Dean Cotton
Dennie Cox
Donald Craig
Robin Cramer
Debra Danyluk
Leonard Danyluk
Alan Doucette
Wyatt Dressler
Geoff Duff
Tasha Erickson
Greg Ewasiuk
Jean Feckley
Garry Fisher
Brian Fuglerud
Randy Fuglerud
Rose Gardipy
Bernie Gaumont
Dianna Gaumont
Phillip Gauthier
Roy Gertz
Garry Givens
Phillip Goldsney
Elaine Grant
Richard Grant
Jim Greer
Kevin Gunning
Jeff Harasym
Conrad Harty
Troy Hebert
MacKenzie Hehn
John Hestermann
Douglas Hiemstra
Eric Hoek
Frank Horvath
Randall Howe
Grant Huber
Khai Huynh
Curt Jansen
Craig Johnson
Dale Johnson
Dan Jones
Erika Jones
Donald Kallis
Robert Kemp
Bob Kennedy
Nathan Kirby
Pat Kletzel
Francis Kripal
Dean Kroeker
Sam Kuric
Gregory Lawrence
Randy Lawrie
Martin Littke
L. Rodney Machula
Randal Marriott
Terry Martin
Eric McCabe
Patricia McCabe
David McConnell
Mark McDermott
Robbie McKinnon
Gavin McLaren
Pete Mierau
Peter Neudorf
Joseph Oleksow
Laurie Olson
Bernard O'Neill
Jeff Pakish
Robert Paterson
Lonnie Patten
David Peachman
Roger Pechanec
Daniel Plamondon
Ray Pollock
Eric Pratt
Kevin Prodaniuk
Gordon Rau
Brian Read
Laura Rock
Robert Rock
Terry Romaniuk
Lawrence Schafers
Phil Semmler
Ron Shannon
Mitchell Sharp
Stuart Slager
Dean Soucy
Randall Steele
Nolan Steinwand
Linda Struik
Marinus Struik
John Tawiah
Perry Teplyske
Darren Tetlock
Joyce Tonsi
Randy Trofimuk
Robert Vanloenen
Doug Wakaruk
Samuel Webster
James Whaley
Jeffrey Whatmore
Beverly Whitaker-Jackman
Levi Willis
Darren Wilson
Lee Wizniuk
Ken Workman

Historical Distributions

Distribution Date	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
January 15	$ 0.13	0.34	0.25	0.11	0.14	0.15	0.08	0.07	0.06	0.19	–	–
February 15	0.13	0.40	0.26	0.13	0.22	0.31	0.13	0.18	0.10	0.14	0.12	0.21
March 15	0.13	0.43	0.30	0.13	0.11	0.15	0.08	0.07	0.06	0.05	–	–
April 15	0.13	0.38	0.29	0.15	0.11	0.22	0.09	0.07	0.06	0.05	–	–
May 15	0.15	0.33	0.32	0.22	0.24	0.24	0.23	0.22	0.16	0.18	0.26	0.48
June 15	0.21	0.29	0.24	0.16	0.11	0.21	0.20	0.16	0.13	0.05	0.04	–
July 15	0.17	0.26	0.26	0.19	0.11	0.15	0.20	0.08	0.06	0.05	0.04	–
August 15	0.16	0.28	0.30	0.22	0.11	0.15	0.16	0.08	0.07	0.05	0.04	0.12
September 15	0.15	0.21	0.28	0.21	0.11	0.17	0.10	0.08	0.07	0.24	0.04	–
October 15	0.17	0.21	0.30	0.22	0.11	0.11	0.16	0.14	0.13	0.06	0.04	–
November 15	0.20	0.21	0.38	0.25	0.11	0.11	0.10	0.08	0.07	0.06	0.05	0.03
December 15	0.20	0.15	0.37	0.23	0.17	0.14	0.14	0.12	0.15	0.06	0.05	–
Total	$ 1.93	3.49	3.55	2.22	1.65	2.11	1.67	1.35	1.12	1.18	0.68	0.84
Cumulative total	$23.00	21.07	17.58	14.03	11.81	10.16	8.05	6.38	5.03	3.91	2.73	2.05



Historical Distributions *($)*

A Note to U.S. Unitholders

This note is of a general nature only and is not intended to be legal or tax advice to any particular unitholder. Consequently, existing or prospective unitholders should consult their own tax advisors with respect to their particular circumstances.

Background

Pengrowth Energy Trust has elected under applicable U.S. Treasury Regulations to be treated as a partnership for U.S. tax purposes. A U.S. resident unitholder is a partner for U.S. tax purposes and is required to take into account his/her share of partnership income, gain, loss and deduction in computing his/her federal income tax liability.

Pengrowth has made available to U.S. unitholders a schedule K-1 containing the applicable income, gains and deductions for the 2002 tax year. Pengrowth will continue to provide K-1 schedules within 75 days of each calendar year.

A detailed U.S. Tax Reporting Package is available by calling Pengrowth Investor Relations at 1-800-223-4122 or on Pengrowth's website at www.pengrowth.com.

Withholding Tax and Refunds

Under the Canada-United States Tax Convention, Canada Customs and Revenue Agency (CCRA) applies a 15 percent withholding tax to distribution payments made by the Trust to U.S. residents. However, this tax (or a portion thereof) is refundable to U.S. residents if the Trust's distributions (or a portion thereof) are determined not to be cash taxable to residents of Canada. For example, in 2002, approximately 78 percent of the withholding tax is refundable to U.S. unitholders.

U.S. beneficial unitholders, or their agent, can apply for a refund no later than two years after the end of the calendar year in which Pengrowth Energy Trust has paid distributions. Applicable tax information is generally available from Pengrowth in early March of the following year and the refund is obtained by filing CCRA Form NR-7R "Application for Refund of Non-Resident Tax".

U.S. unitholders may elect to claim any Canadian withholding taxes as deductions against income or, subject to certain restrictions, as a credit against their U.S. tax liability. U.S. unitholders electing to claim a foreign tax credit must complete IRS Form 1116, Foreign Tax Credit, as an attachment to their 1040.

Applicable NR-7R tax forms can be obtained online at www.ccra.gc.ca or by contacting Canada Customs and Revenue Agency, International Tax Services Office at 1-800-267-3395. Forms can also be obtained by contacting Pengrowth Investor Relations at 1-800-223-4122. Computershare Trust Company of Canada automatically provides NR-7R forms to the registered unitholders.

Prospective purchasers of trust units are encouraged to consult their tax advisors regarding the foregoing.

Distribution Reinvestment and Trust Unit Purchase Plan

Pengrowth's Distribution Reinvestment and Trust Unit Purchase Plan, which was enhanced starting in January 2003, has been developed as a convenient way for unitholders* to maximize their investment in Pengrowth – at a discount to current market prices and free of brokerage commissions and other fees.

Under the Plan, participating unitholders automatically reinvest their monthly cash distributions in new units and can purchase, at their option, up to $1,000 worth of additional new units per month.

The price of units purchased under the Plan is 5 percent off the weighted average stock market trading price of Pengrowth's units for the 20 days leading up to the most recent cash distribution. Enrolment, reinvestment and optional purchases are completely free of charge for self-registered unitholders. Those enrolling in the Plan through a broker, trust company, bank or other nominee may be subject to fees charged by the nominee. Plan participants receive a statement of account mailed monthly.

For further information on the Plan and to receive an enrolment form, please visit the Company's website at www.pengrowth.com or contact Pengrowth's Investor Relations department at (800) 223-4122 to request the forms by mail or fax; or contact Pengrowth's Trustee, Computershare Trust Company of Canada, at (800) 564-6253.

* U.S. residents are currently ineligible to participate. Pengrowth is filing a registration statement under the United States Securities Act of 1933, as amended, and must satisfy other necessary regulatory requirements before U.S. residents become eligible.

Pengrowth Energy Trust
Petro-Canada Centre – East
2900, 111 5th Avenue S.W.
Calgary, Alberta T2P 0H3

DISTRIBUTION REINVESTMENT AND TRUST UNIT PURCHASE PLAN
REQUEST FOR INFORMATION

❑ **Distribution Reinvestment**
I wish to participate in the Distribtution Reinvestment and Trust Unit Purchase Plan of Pengrowth Energy Trust. Please send the required authorization form to me.

❑ **Request for Information**
Please send detailed information concerning the Distribution Reinvestment and Trust Unit Purchase Plan of Pengrowth Energy Plan to me.

Name(s): ______________________ ______________________

Signature(s): ______________________ ______________________

Address: ____

____

Telephone: Home: ______________________ Bus: ______________________

Date: ______________________

Place
Stamp
Here

Pengrowth Energy Trust
Petro-Canada Centre – East
2900, 111 5th Avenue S.W.
Calgary, Alberta, Canada
T2P 0H3

Corporate Information

Directors of Pengrowth Corporation

Thomas A. Cumming
Business Consultant

James S. Kinnear
President, Pengrowth Management Limited, Chairman

Francis G. Vetsch
President, Quantex Resources Ltd.

Stanley H. Wong
President, Carbine Resources Ltd.

John B. Zaozirny
Counsel, McCarthy Tetrault
Lead Director

Michael A. Grandin
Corporate Director

Director Emeritus
Thomas S. Dobson, President, T.S. Dobson Consultant Ltd.

Officers of Pengrowth Corporation

James S. Kinnear
President and Chief Executive Officer

Robert B. Hodgins
Chief Financial Officer

Gordon M. Anderson
Vice President

Henry D. McKinnon
Vice President, Operations

Lynn Kis
Vice President, Engineering

Charles V. Selby
Corporate Secretary

Chris Webster
Treasurer

Lianne Bigham
Controller

Trustee

Computershare Trust Company of Canada

Bankers

Bank Syndicate Agent:
Royal Bank of Canada

Auditors

KPMG LLP

Engineering Consultants

Gilbert Laustsen Jung Associates Ltd.

Pengrowth and a Strong Community

Pengrowth Management Limited believes in enhancing the community where our employees live and work. Pengrowth supports causes and institutions both financially and through volunteer efforts and is proud of these associations and partnerships with many community-building non-profit organizations.

Pengrowth has a substantial investment in our community and although 100 percent of the costs are attributed to Pengrowth Management, Pengrowth Energy Trust unitholders benefit through the visibility associated with these vital partnerships.

Stock Exchange Listings

The Toronto Stock Exchange
Symbol: PGF.UN

The New York Stock Exchange
Symbol: PGH

Pengrowth Energy Trust Head Office

Suite 2900, 111 – 5 Avenue S.W.
Calgary, Alberta T2P 3Y6 Canada
Telephone: (403) 233-0224
Toll-Free: (800) 223-4122
Facsimile: (403) 265-6251
Email: pengrowth@pengrowth.com
Website: http://www.pengrowth.com

Toronto Office

2315, 200 Bay Street
Toronto, Ontario M5J 2J2 Canada
Telephone: (416) 362-1748
Toll-Free: (888) 744-1111
Facsimile: (416) 362-8191

Halifax Office

Suite 407
1959 Upper Water Street
Halifax, Nova Scotia
B3J 3N2 Canada
Telephone: (902) 425-8778
Facsimile: (902) 425-7887

Contact: Jim MacDonald, General Manager, East Coast Operations

Investor Relations

For investor relations enquiries, please contact:

Dan Belot,
Manager, Investor Relations
Telephone: (403) 233-0224
Toll-Free: (800) 223-4122
Facsimile: (403) 294-0051
Email: danielb@pengrowth.com
or
Sally Elliott, Investor Relations, Toronto
Telephone: (416) 362-1748
Toll-Free: (888) 744-1111
Facsimile: (416) 362-8191
Email: sallye@pengrowth.com

Abbreviations

bbl	barrel
bcf	billion cubic feet
boe*	barrels of oil equivalent
boe per day*	barrels of oil equivalent per day
lt	long tonnes
mbbls	thousand barrels
mmbbls	million barrels
mboe*	thousand barrels of oil equivalent
mmboe*	million barrels of oil equivalent
mmbtu	million British Thermal Units
mcf	thousand cubic feet
mmcf	million cubic feet
mcf per day	thousand cubic feet per day
mmcf per day	million cubic feet per day

Pengrowth Energy Trust (Energy Trust)
Pengrowth Corporation (Corporation)

*6 mcf of natural gas = 1 barrel of oil

Designed and produced by MERLIN EDGE inc.

PENGROWTH
ENERGY TRUST

Head Office
Suite 2900, 111 – 5 Avenue S.W.
Calgary, Alberta T2P 3Y6 Canada
(403) 233-0224
Website: http://www.pengrowth.com

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